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MONTEREY, CALIFORNIA

MBA PROFESSIONAL REPORT

FINANCIAL ANALYSIS OF CONTRACT BERTHING

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December 2006

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FINANCIAL ANALYSIS OF CONTRACT BERTHING

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FINANCIAL ANALYSIS OF CONTRACT BERTHING

ABSTRACT

The purpose of this MBA Project is to identify financial, manpower, and time variables in the contract berthing budget line and to determine the effects of the variables on cost and efficiency statistics of the budget line given a continuance of current policy.

A contract berthing budget line refers to the funding provided under a contract berthing policy to reservists to cover certain lodging and meal expenses. More particularly, selected Reservists (SELRES) are required to conduct drills for pay at their assigned Readiness Command (REDCOM), including the Naval Air Reserve (NAR) and/or Naval Air Facility (NAF). REDCOMS are typically assigned according to the facility closest to the home of residence of the SELRES. Under current Command Naval Reserves Forces Command (CNRFC) contract berthing policy, SELRES living more than 50 miles from their assigned NAR are authorized lodging and meals expenses in addition to their drill pay.

In this project, REDCOM statistics are analyzed to estimate the increase or decrease in funding required for contract berthing budget line. The current berthing process and the potential future effects on the 50-mile radius rule of the contract berthing policy are also examined. The data included in this MBA project were generated in pre-BRAC 2005 decisions; therefore, analyses in this project are based on that data. Finally, based on the foregoing analyses, an assessment is made as to whether changes to the current contract berthing policy are warranted.

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LIST OF ACRONYMS

ACNO: Assistant Chiefs of Naval Operations

ADT: Active Duty Training

AT: Annual Training

BOQ: Bachelor Officer's Quarters

CHNAVPERS: Chief of Naval Personnel

COMNAVAIRRESFOR: Commander, Naval Air Reserve Force

COMNAVSURFRESFOR: Commander, Naval Surface Reserve Force

COMNAVRESFOR: Commander, Naval Reserve Force

DMSO: Director of Major Staff Offices

DoD: Department of Defense

FYPD: Future Years Defense Program (FYDP)

IDT: Inactive Duty Training

IRR: Individual Ready Reserve

ISIC: Immediate Superior in Command

IMA: Individual Ready Reserve

N095: Director, Naval Reserve

NAMMOS: Navy Manpower Mobilization System

NAVCOMPT: Office of Comptroller, Navy

O&MNR: Operations and Maintenance Navy, Reserve

PERS-51: Assistant Chief of Naval Personnel for Total Force Programming and Manpower

PERS-9: Chief of Naval Personnel

PSRC: Presidential Selected Reserve Call-up Authority

SELRES: Selected Reserve

SMD: ship manpower documents

SQMD: squadron manpower documents

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I. INTRODUCTION

A. BACKGROUND

The Director for Operations and Maintenance, Navy Reserve (O&M,NR) at Commander Navy Reserve Forces Command (CNRFC) has expressed interest in determining the implications of funding requirements for Contract Berthing and possible revision to Contract Berthing policy. Base Realignment and Closures (BRAC) mandates closing and consolidation of Navy Reserve Activities (NRA) with an associated effect of redistributing Selected Reserve (SELRES) populations. Per COMNAVRESFOR P4000.1A, a Selected Reservist must reside more than 50 miles from their permanent drill site or NRA, and must be performing at least two Inactive Duty Training (IDT) periods (two four-hour drill periods) on the day before or day following to be eligible for lodging at government expense.

Prior to the 2005 BRAC, the Navy Reserve Financial Managers allocated approximately \$9.0 million per year. There is some reason to expect that base closures will compel the Navy Reserve Financial Managers to allocate more Operation and Maintenance Navy Reserve (OMNR) funding for Contract Berthing.

The Operation and Maintenance Navy Reserve (O&M,NR) Director for Commander Navy Reserve Forces Command is faced with determining the effects of funding as it relates to contract berthing policy for reservists having to travel more than 50 miles to their permanent drill site. Commander Navy Reserve Forces is interested in the magnitude of any changes to possibly account for budgetary controls.

B. OBJECTIVE

The objective of this project is to analyze the financial, manpower, and time effects in terms of potential growth to the contract berthing budget line, assuming a continuance of current Contract Berthing policy. In addition, the efficiency or inefficiency of the current contract berthing policy is analyzed.

C. SCOPE, LIMITATIONS, AND ASSUMPTIONS

The growth of the contract berthing budget is analyzed, assuming a continuance of current policy from the Readiness Command perspective (Figure 1). In addition, a

determination as to whether changes to the current policy for Contract Berthing eligibility warrant policy revision is discussed.

Deliverables include an analysis with supporting information of financial, manpower, and time effects on Contract Berthing. This research will provide the Operation and Maintenance Navy Reserve (O&M,NR) Director for Commander Navy Reserve Forces Command with useful information for planning and budgeting.



Figure 1. Readiness Commands Map (Source: <http://navyreserve.navy.mil>)

D. LITERATURE REVIEW AND METHODOLOGY

The methodology of data collection for this MBA Project consists of interviews, literature review, and searches of official data. Official sources include Department of the Navy (DON) reports, instruction, and memoranda.

Commander Navy Reserve Forces Command (CNRFC) provided background documentation and official presentation printouts for Operations and Maintenance, Navy

Reserve (O&MNR). Interviews conducted with Supply personnel at various Navy Reserve centers provide insights into the entire Contracting Berthing process.

E. MBA PROJECT PREVIEW

This report is presented in five chapters with supporting appendices. The report is organized as follows:

1. Chapter I: Introduction

This chapter introduces the research question, discuss the relevance of Contract Berthing and its current Contract Berthing Policy, and delineate the subsequent MBA project chapters. I shall, also, discuss the research methods used and provide a summary of the findings.

2. Chapter II: The Structure of the Navy Reserve

This chapter discusses the overall mission of the Navy Reserve. Second, it explains the structure of the Naval Reserve, regarding the roles and responsibilities of key players in the Operation Maintenance Navy Reserve (OM,NR).

3. Chapter III: Contract Berthing Policy Analysis

The economics of the Contracting Berthing policy stand upon the three pillars of finance, manpower, and time. Finance typically involves the appropriation of funds. Manpower mean reservist uses the resources. Time is important because of the valuation of time value of money. Each of these will be examined in greater detail. In short, this chapter shall provide an understanding of how finance, manpower and time affect contract berthing policy.

4. Chapter IV: Future Effects of Contract Berthing Policy

Although available data predates Base Realignment and Closures legislation, this chapter outlines the BRAC process and conveys a broader perspective of the future effects of the BRAC process on Contract Berthing Policy. The BRAC process entails three main parts that include, but are not limited to final selection criteria, force structure plan, and comprehensive base inventory. These three parts are evaluated to bring forth experience and understanding of the possible effects of the BRAC process on Contract Berthing.

5. Chapter V: Contract Berthing Data Analysis

This chapter examines the data generated from each Readiness Commands. The chapters provide graphs, evaluate quantifiable numbers, and choose alternative courses of action for contract berthing. In other words, it takes the actual data and conveys the reason or causes for observable trends.

6. Chapter VI: Contract Berthing Conclusion

This chapter reviews whether the current Contract Berthing Policy is cost effective and efficient and summarizes the findings. Second, the chapter predicts future results based on various actions taken and recommends actions to impose management of the contract berthing program.

II. THE STRUCTURE OF THE NAVY RESERVE

A. GENERAL

The overall mission of the Navy is prescribed by Title 10, U.S. Code, which states, “Be prepared to conduct prompt and sustained combat operations at sea in support of the U.S. national interest.” As defined in Section 262 of Title 10, U.S. Code, the mission of the Navy Reserve is to “...provide trained units and qualified persons available for active duty in the armed forces, in time of war or national emergency and at such other times as the national security requires.” As the current trend of downsizing the active component of the armed forces continues, the need to use the Navy Reserve for contributory support will increase to an unprecedented level.¹ Despite the need for increased numbers of navy reservists, BRAC 2005 mandates sweeping closures of Naval bases, including a surge of base closures for of the Navy Reserves. In view of the potential increase in the number of Navy reservists combined with the impending closures of Navy Reserve bases, a flexible and responsive analysis of the potential cost impact on Contracting Berthing will be valuable in determining the future resourcing requirements of this policy to allow for more accurate budgeting over the Future Years Defense Program (FYDP).²

B. THE STRUCTURE OF THE NAVY RESERVE

To understand the Contracting Berthing Process in depth, it is essential to have an appreciation of the structure of the Navy Reserve and the roles and responsibilities of the key players in the Contracting Berthing process.³

For the first 140 years of its existence, the United States Navy lacked reserve program. With World War I developing in Europe and at the urging of Navy Secretary Josephus Daniels and Assistant Secretary Franklin D. Roosevelt, Congress created the Federal Navy Reserve on March 3, 1915. In 1916, Congress passed a second law

¹ Peacetime contributory support is a term used to describe the utilization of reservists to perform readiness-related activities supporting the mission needs of the active forces.

² The Future Years Defense Program is the database repository of all approved programs. It summarizes resources (Total Obligatory Authority and personnel, and forces) by fiscal year.

³ Ibid.

redefining and establishing the Navy Reserve Force. Over the past eight decades, the Navy Reserve has evolved into a well-structured and highly qualified component of the armed forces.⁴ The Navy Reserve currently comprises the Ready Reserve, the Standby Reserve, the Retired Reserve, and the Fleet Reserve, as hereafter discussed.

1. Ready Reserve

The Ready Reserve remains on standby to provide immediate assistance in response to national emergencies, such as the Global War on Terrorism. This component includes the Selected Reserve, full time support personnel, selected reserve units. Individual Mobilization Augmentees, and the Individual Ready Reserve.

a. Selected Reserve (SELRES)

The SELRES are units and individuals designated by the Chief of Navy Operations and approved by the chairman, Joint Chiefs of Staff as so essential to initial wartime missions that they have priority over all other reserves. The SELRES is the “core” of the Navy Reserve program. SELRES is subject to involuntary recall for war or national emergency or by the President for up to 90 days to support operational requirements. All SELRES are in active status and are required in Annual Training (AT) and Inactive Duty Training (IDT).

b. Full Time Support (FTS) Personnel

FTS are full-time active duty personnel who are responsible for assisting in the organization, administration, recruitment, instruction, training, maintenance and supply support to the Reserve components.

c. Selected Reserve Units

SELRES units are manned and equipped to serve and/or train either as operational or as augmentation units. Operational units train and serve as units; Augmentation units train together. When mobilized, however, the Augmentation units lose their unit identity, and are subsumed into an active unit or activity.

⁴ Marin, Robert. “The Reserve Personnel, Navy Manyrate Activity-Based Costing Model” (M.A. Navy Postgraduate School, 1995), 5 (accessed June 20, 2006).

d. Individual Mobilization Augmentees (IMA)

Individual Mobilization Augmentees (IMA) are reservists attending drills who receive training and are pre-assigned to an Active Component organization, a Selective Service System, or a Federal Emergency Management Agency billet that must be filled quickly upon mobilization. IMA are trained on a part-time basis with these organizations to prepare for mobilization. Inactive duty training for individual mobilization augmentees are decided by component policy and can vary from zero to forty-eight drills a year. Similar to SELRES, IMA are required to perform a minimum of 14 days AT and 48 IDT drills each year.

e. Individual Ready Reserve (IRR)

The IRR is a manpower pool consisting of individuals who have had some training, who have served previously in the Active Component or in the Selected Reserve, and who have some military service obligation remaining. Members may voluntarily participate in training for retirement points and promotion with or without pay.⁵

2. Standby Reserve

Those units and members of the Reserve Components (other than those in the Ready Reserve or Retired Reserve) who are liable for active duty only, as provided in the US Code, Title 10 (DOD), Sections 10151, 12301, and 12306.⁶

3. Retired Reserve

The Retired Reserves are members who receive retirement pay on the basis of their active duty and/or Reserve service. Also in this group are the members who are otherwise eligible for retirement pay, but have not reached age 60 and who have not elected discharge and are not voluntary members of the Ready or Standby Reserve.⁷

4. Fleet Reserve

The Fleet Reserve is a valuable asset which affords the Navy the opportunity to employ members to fill billets requiring experienced personnel which avoids the costs

⁵ DoD Instruction 1235.14, "Administration and Management of the Individual Ready Reserve (IRR)," http://www.dtic.mil/whs/directives/corres/pdf/d123513_071605/d123513p.pdf.

⁶ Ibid.

⁷ Ibid.

incurred by otherwise having to provide additional training. Fleet Reserve can only accept Regular Navy or Navy Reserve active duty members with a minimum of 20 years of active service and upon completion of 30 years of total service.

C. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the personnel who are vital to the Navy Reserve are described as follows:

1. Chief of Navy Operations (CNO)

The CNO is responsible for the Navy Reserve organization administration, and training. Also, the CNO is responsible for mobilization planning to effectively reinforce and augment active forces during war time.

2. Resource Sponsors

Resource Sponsors are Assistant Chiefs of Navy Operations (ACNOs), Deputy Chiefs of Navy Operations (DCNOs), and Director of Major Staff Offices (DMSOs), who utilize reserve manpower. Fleet Commanders identify required reserve manpower through their respective Immediate Superior in Command (ISIC). These resource sponsors coordinate with the Director, Navy Reserve (N095) on matters pertaining to their Navy Reserve Program.

3. Navy Comptroller (NAVCOMPT)

NAVCOMPT is responsible for the financial management of the Navy, including budgeting, accounting, disbursing, financing, internal review, and progress and statistical reporting for both active and reserve components.⁸

4. Chief of Navy Personnel (CHNAVPERS)

“Assistant Chief of Navy Personnel for Total Force Programming and Manpower (Pers-51) validates requirements identified by Echelon II commanders for reserve manpower. Echelon II commanders are the fleet commanders. The validation is done through the Navy Manpower Mobilization System (NAMMOS), Ship Manpower Documents (SMD), and Squadron Manpower Documents (SQMD). The Chief of Navy

⁸ Marin, Robert. “The Reserve Personnel, Navy Manyear Rate Activity-Based Costing Model” (M.A. Navy Post Graduate School, 1995), 5.

Personnel (Pers-9) is also responsible for the direction and management of the IRR, Stand-by Reserve, and Retired Reserve.”⁹

5. Director, Navy Reserve

The Director of Navy Reserve is the primary advisor to the CNO regarding matters of the Navy Reserve. The Director is responsible for direction policy control administration, and management of the Navy Reserve for the CNO. The duties include, but are not limited to, strategic planning and monitoring mobilization readiness of the Navy Reserve. The Navy Reserve director employs budgetary support for programs relating to the Navy Reserve.

6. Commander, Navy Reserve Forces Command (COMNAVRESFOR)

“COMNAVRESFOR is an Echelon II field commander that is responsible for the management and administration of programs and assigned resources within the Navy Reserve. COMNAVRESFOR is directly responsible to the CNO for proper training of reservists. This training, whenever possible, mirrors the training received by the active forces. To assist in meeting these various responsibilities, COMNAVRESFOR has one subordinate Echelon III commands that are headed by flag officers:”

7. Commander, Navy Air Force Reserve Force (COMNAVAIRRESFOR)

COMNAVAIRRESFOR is responsible to COMNAVRESFOR regarding the Navy Air Reserve Force. COMNAVAIRRESFOR is accountable for the operation and maintenance of aircraft that is managed by the Navy Air Force Reserve Force. According to OPNAVINST 101.21A, this responsibility extends to the training and readiness of the Navy Reserve aviation units.

⁹ Marin, Robert. “The Reserve Personnel, Navy Manyear Rate Activity-Based Costing Model” (M.A. Navy Post Graduate School, 1995), 5.

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III. CONTRACT BERTHING POLICY ANALYSIS

A. INTRODUCTION

The Commander of the Navy Reserve Forces Command has requested that the Navy review the effectiveness of the Contract Berthing policy.

According to Vice Admiral Norb Ryan, “If bachelor quarters cannot be made available on base, contract berthing will be used as an alternate source of government lodging. The primary source of contract berthing should be demand contract quarters that are arranged for by the local activity and paid through the travelers per diem. Two other methods for providing contract berthing are: contract quarters provided for short periods of time for a guaranteed number of travelers paid from base O&MN and leased quarters, quarters provided for extended periods of time for a guaranteed number of travelers and paid from base O&MN(see Figure 2; photo of bachelors quarters).”¹⁰

In other words, contract berthing is a contractual agreement with the commercial hotels to provide a service to the overflow of Department of Defense personnel. The Contract Berthing policy states that reservist who commute more than 50 miles from their home to their work place qualify for contract berthing, contingent on non-availability within Bachelor Officer Quarters.¹¹

For example, a reservist lives in San Jose, CA and is assigned to Naval Postgraduate School (NPS) in Monterey, CA for one weekend each month, a distance of approximately 70 miles; the distance qualifies for lodging under the Contract Berthing policy, the reservist is privileged to take advantage of government lodging at NPS. If government lodging is not available, the reservist is privileged to obtain lodging at a commercial hotel in Monterey(Figure 2). If the reservist arrives at the naval base in

¹⁰ Smith, Samatha, Military Officers Association of America, Alexandria, Va, accessed 4 October 2006; available from http://www.moaa.org/about/about_newsctr/about_newsctr_release/index.htm.

¹¹ P-502 Bachelor Officer Quarters is a three and four story, structural steel facility. The structure was constructed in and through a 10-foot layer of rock, cobble, and debris along Ballast Point, adjacent to the San Diego Bay.

Monterey and finds the on-base facility Del Monte Lodge full, then the reservist is privileged to obtain accommodations at the Embassy Suites Hotel or a comparable hotel (Figure 3).



Figure 2. P-502 Bachelor Officer Quarters, Submarine Base (Source: www.sdse.com/projects/military/pmc_index.htm).



Figure 3. Embassy Suites Hotel Monterey Bay (Source: www.webtourist.net/usa/california/seaside/emb)

B. CONTRACT BERTHING ESSENTIALS

The economics of the Contracting Berthing policy stand upon the three pillars finance, manpower, and time. Finance typically involves the appropriation of funds.

Manpower mean reservist uses the resources. Time is important because of the valuation of time value of money. Each of these is next examined in greater detail.

Congress grants finances to the Operational and Maintenance account to fund contracted rooms of local hotel. The Bachelor Quarter's management must implement the guidance set forth. P4000 is a publication that guides management on day to day operation with contract berthing. This publication also gives the Readiness Commanders a snap shop of the contracting process. This chapter will discuss the contracting and bachelors quarters procedures, eligibility requirements and allocation of funds.

1. Benefit of Contracting Berthing

Generally, contract berthing is offered to facilitate the highest drill participation and mobilize training. The P4000.1A, which is the bible for commercial and Bachelor Quarter berthing of drilling reservist's state, "Commander Navy Reserve Forces activities will provide commercial and bachelor quarters berthing for Naval Reserve personnel traveling more than 50 miles to their drill site." ¹² Although, the P4000 acknowledges that these privileges are not granted to, or does not apply to Inactive Duty Trainers(IDTT) Active Training (AT) Active Duty Training(ADT) or Active Duty for special work.

2. Contract Berthing Eligibility Process

Contract berthing eligibility process must be followed properly. The Bachelor Officer Management must ensure that they utilize all available on-base room assets before awarding contract berthing at a local hotel. In other words, managers must ensure bachelor officer quarters and bachelor quarters are used whenever quarters are available. The eligibility requirements for contract berthing are defined as:

- i. "Member must travel 50 miles or more from their residence to the permanent drill site where IDTs are performed."¹³
- ii. "Member must be in a drill status and perform Inactive Duty Training at the permanent dill site."¹⁴

¹² Chapter 2. Commercial/BQ Berthing of Drilling Reservist. COMNAVRESFOR P4000.1A.

¹³ Ibid.

¹⁴ Ibid.

- iii. “Member must be performing 8 hours of scheduled drills (exclusive of meal period) on the day before or day following the use of commercial and bachelors quarters berthing, or four 4-hour drills within a 48 hour period.”¹⁵
- iv. “Berthing privileges may be denied for nonconformance to this section or local policy.”¹⁶ (see appendix for further details)

Properly following the process will minimize government expenses and risk to contract berthing funding. Contract berthing funding comes from Congressional legislation to Commander of Naval Reserve. Commander of Naval Reserve obligates funds from the Operational Maintenance Navy Reserve (O&MNR) account to uses for contract berthing. If equally, *ceteris pluribus*, the management maximizes the assets of the Bachelor Officer Quarters.

3. Basic Understanding of Flow of Contracting Berthing Funds

Operational Maintenance Navy Reserve funds flow from the Commander of Navy Reserve to the Readiness Commanders who will use the P4000 as guidance to allocate contract berthing funds. The funds are normally distributed to the Navy Reserve Activities such as Navy Air Facilities and Navy Air Reserve bases. Commanding Officer and Officer in Charge are required to develop a local contract berthing policy to manage their berthing cost (appendix for an example of local policy).

The berthing cost for Bachelor Quarters on average is \$26. This \$26 is divided into two cost categories. One is direct cost. The first category is direct cost. Direct cost is defined as labor and materials that can be identified physically in the product produced. For example, direct costs for an apartment building are construction materials and labor for bachelor quarters, and it can be physically traced to military construction, operation and maintenance navy reserve account, and utilities. The second category is indirect cost. Indirect cost can be defined as expenses that are difficult to trace. Indirect costs include travel pay, management service cost, etc. Contract berthing costs are obligation to local

¹⁵ Chapter 2. Commercial/BQ Berthing of Drilling Reservist. COMNAVRESFOR P4000.1A.

¹⁶ Ibid.

hotels for drilling reservists who travel greater than 50 miles to their permanent station. A flowchart of the distribution and allocation of these contract berthing funds are shown below:

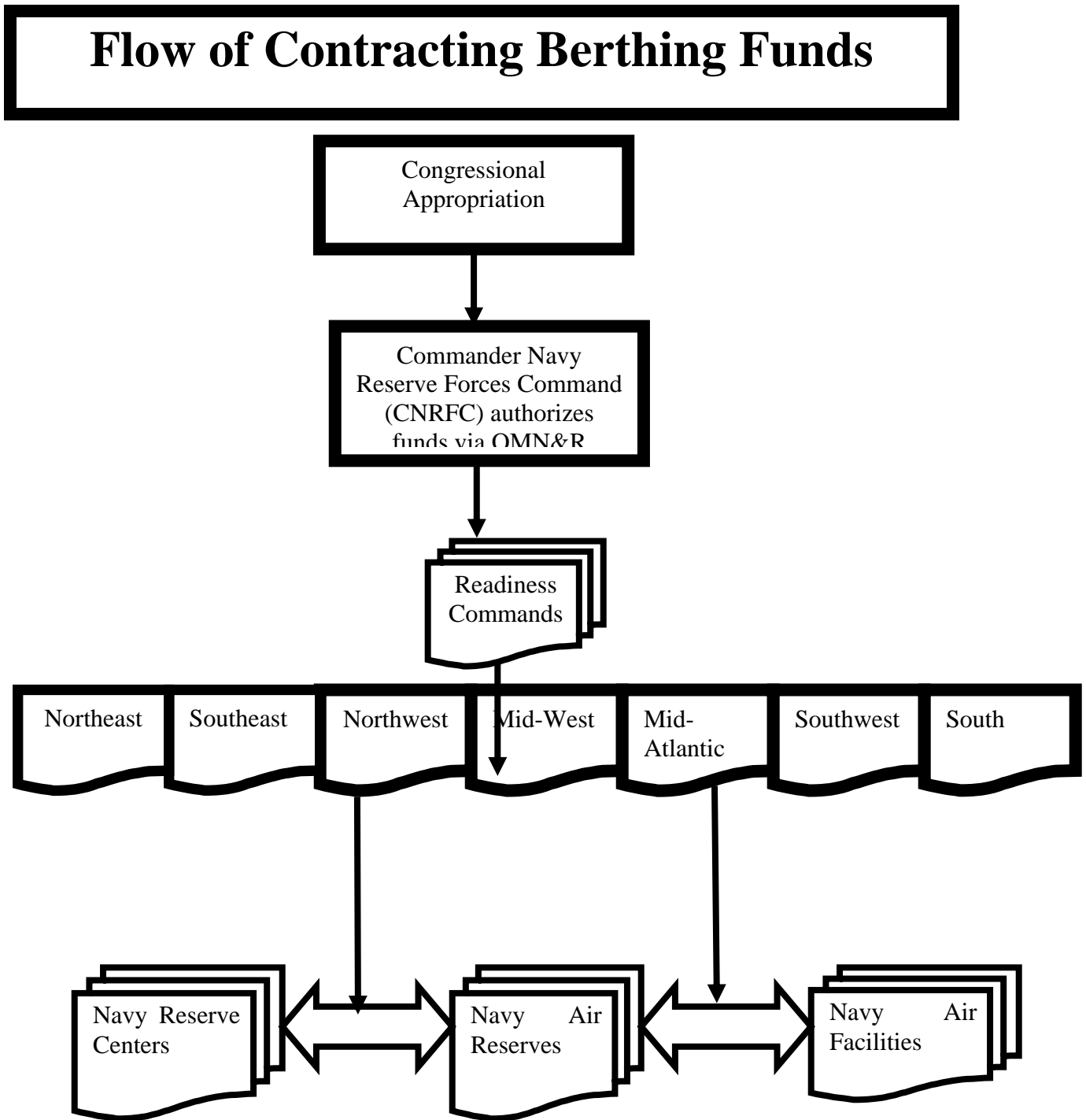


Figure 4. Flow of Contracting Berthing Funds

C. CONCLUSION

Contracting Berthing is a *privilege* and not an *entitlement*. This incentive or privilege is used to incentivize service with the Readiness Command. Contract berthing funding policy has strict eligibility requirements and should be followed closely. Bachelor Officer Management; however, must practice due diligence in the process of using all their rooms before awarding contract berthing. In other words, housing managers are the first line of defense to reduce and minimize the funding impacts of contract berthing funds flowchart, above, is provided to give a snap shot of how these funds travel from Congress to the individual commands.

IV. BRAC PROCESS AND THE FUTURE OF EFFECT ON CONTRACT BERTHING

A. GENERAL

The purpose of this chapter is to explain the Base Realignment and Closure (BRAC) 2005 process and its effects on the Navy Reserve. Specifically, the BRAC process and one of its effects on the Navy Reserve is discussed. The heart of the BRAC criteria is force structure, selection criteria, and base inventory plans. These plans helped Secretary Defense, Donald Rumsfeld, examine these recommendations regarding bases to close, consolidate or realign.

In their book, “Essence of Decision”, Graham Allison and Philip Zelikow demonstrate that “Government decision-making is a complex multi-participant process”.¹⁷ Accordingly, base realignment and closure processes and results are the result of “compromise, conflict, and confusion among government officials with diverse interests and unequal influence”.¹⁸ The impetus of the BRAC 2005 process is evident in the President’s Message to Congress. The President stressed the advent of new threats to national security and advocated rethinking Defense priorities, force structure and the military.

As a result, the President informed Congress that the Administration would examine and scrutinize the capabilities and structure of the U. S. armed forces, but emphasized that several DoD reforms were needed immediately. Stating, that “DoD wastes money on infrastructure it does not need,” the report went on to declare, “It is clear that new rounds of base closures will be necessary to shape the military more efficiently”.¹⁹ Thus, the BRAC process was used to change present military infrastructure to better to support joint warfighting, joint training and joint readiness.

¹⁷ Graham Allison and Philip Zelikow., *Essence of Decision*. (New York: Longman, 1999), 263.

¹⁸ *Ibid*, 295.

¹⁹ Robert C. Powers, “Base Realignment and Closure (BRAC) 2005: Congressional Dialogue and Decision” Naval Post Graduate School, 2003, 63.

BRAC not only reshapes infrastructure, but it allows ways to innovate, consolidate, realign, and match facilities with military forces to make wise use of limited defense dollars.²⁰

B. BASIC BRAC CRITERIA

The Department of Defense received congressional authorization for a base realignment and closure round in 2005.²¹ The 2005, Base Realignment and Closures process was a means to achieve several goals: eliminate excess physical capacity and infrastructure; optimize military readiness; realign infrastructure with future defense strategy; and capitalize on opportunities for joint activity. At a minimum, this BRAC round was intended to eliminate excess physical capacity. This would help the Defense Department save money, reduce hazardous waste and free up resources. These goals were coordinated accordingly to the following: Final Selection Criteria, Force Structure Plan and Comprehensive Base Inventory.

1. Final Selection Criteria

The final selection criteria was used on February 16, 2004 by the Department of Defense to make recommendations for the closure or realignment of military installations inside the United States under the Defense Base Closure and Realignment Act of 1990, Public Law 101–510, as amended, 10 U.S.C. 2687 which notes: In selecting military installations for closure or realignment, the Department of Defense, giving priority consideration to military value (the first four criteria below), will consider:²²

a. Military Value

1. The current and future mission capabilities and the impact on operational readiness of the Department of Defense’s total force, including the impact on joint warfighting, training, and readiness.

²⁰ United States Department of Defense, Base Realignment and Closure 2005, <http://www.defenselink.mil/brac/>, December 15, 2005.

²¹ Each round of BRAC results in the closure and/or realignment of selected military bases around the country. Congress has authorized another BRAC round for 2005 (Public Law 101-510 as amended through FY 2005 Authorization Act)

²² L.M. Bynum, Department of Defense Selection Criteria for Closing and Realigning Military Installations Inside the United States, 2004, http://www.defenselink.mil/brac/docs/criteria_final_fedreg.pdf. (Federal Register / Vol. 69, No. 29)

2. The availability and condition of land, facilities and associated airspace (including training areas suitable for maneuver by ground, naval, or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations.

3. The ability to accommodate contingency, mobilization, and future total force requirements at both existing and potential receiving locations to support operations and training.

4. The cost of operations and the manpower implications.

b. Other Considerations

5. The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.

6. The economic impact on existing communities in the vicinity of military installations.

7. The ability of both the existing and potential receiving communities' infrastructure to support forces, missions, and personnel.

8. The environmental impact, including the impact of costs related to potential environmental restoration, waste management, and environmental compliance activities.²³

Selection Criteria were guidelines used by the Department of Defense from which detailed measures for creating BRAC actions were drawn. The importance of military value is reflected in the first four selection criteria and includes capabilities needed and effect on operational readiness. "This includes the affect an installation has on joint warfighting, joint training and joint readiness."²⁴ The other considerations are based on potential cost of closing or realignments, economic impact on existing

²³ L.M. Bynum, Department of Defense Selection Criteria for Closing and Realigning Military Installations. Inside the United States, 2004, http://www.defenselink.mil/brac/docs/criteria_final_fedreg.pdf. (Federal Register / Vol. 69, No. 29).

²⁴ Jim Garamone, Force structure, military value at the heart of BRAC, 2004, <http://www.af.mil/news/story>.

communities, ability of both the existing and potential receiving communities' infrastructure to support forces, missions, and personnel and environmental impact. According to the Secretary of Defense, Donald Rumsfeld; however, decisions were determined by the installation's current to military value and contribution to future mission capabilities. The 2005 selection criteria were a departure from previous practice. The legislative changes the 1995 criteria are noted below:

Comparison of BRAC Criteria <i>Significant changes from 1995 to 2005 are underlined</i>	
1995 Final Criteria	2005 Final Criteria
<i>Military Value (receives priority consideration)</i>	<i>Military Value</i>
1. The current and future mission requirements and the impact on operational readiness of the Department of Defense's Total Force.	1. The current and future mission capabilities and the impact on operational readiness of the total force of the Department of Defense, <u>including the impact on joint warfighting, training, readiness.</u>
2. The availability and condition of land, facilities, and associated air space at both the existing and potential receiving locations.	2. The availability and condition of land, facilities and associated airspace <u>(including training areas suitable for maneuver by ground, naval, or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions)</u> at both existing and potential receiving locations.
3. The ability to accommodate contingency, mobilization, and future total force requirements at both the existing and potential receiving locations.	3. The ability to accommodate contingency, mobilization, <u>surge</u> and future total force requirements at both existing and potential receiving locations <u>to support operations and training.</u>
4. The cost and manpower implications.	4. The cost <u>of operations</u> and the manpower implications.
<i>Return on Investment</i>	<i>Other Criteria</i>
5. The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.	5. The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.
<i>Community impacts</i>	
6. The economic impact on communities.	6. The economic impact on <u>existing communities in the vicinity of military installations.</u>
7. The ability of both the existing and potential receiving communities' infrastructure to support forces, missions and personnel.	7. The ability of <u>the infrastructure</u> of both the existing and potential receiving communities to support forces, missions, and personnel.
8. The environmental impact.	8. The environmental impact, <u>including the impact of costs related to potential environmental restoration, waste management, and environmental compliance activities.</u>
<i>Source: Federal Register, December 9, 1994 (59 Fed. Reg. 63769)</i>	<i>Source: § 2913 of 1990 DBCRA (as amended by § 2832 of FY05 NDAA, P.L. 108-375)</i>

Figure 5. Comparison of Base Realignment and Closure Criteria (Source: Kutak Rock LLP25 (need to cite source properly))

25 George Schlossberg, Base Closure Alert: Comparison of BRAC Selection Criteria, 2004, <http://www.kutakrock.com/publications/federalpractice/BRAC%20criteria%20comparison%2015%20oct%2004.pdf> (December 15, 2005)

2. Force Structure Plan

“The Force Structure Plan (FSP) assesses the long-term security threats to the United States, and the projects the means necessary to counter them.”²⁶ In accordance with Section 2912 of the Defense Base Closure and Realignment Act of 1990, Public Law 101-510, as amended, the force structure plan (FSP) for Base Realignment and Closure (BRAC) 2005 was developed and submitted, via Congress, to protect the nation from threats for a 20-year period.²⁷ In the BRAC rounds of 1988-1995, future assessment and projection of force structure for only six years were required. The FSP projection focuses on Fiscal Years 2005-2011 and because of security classifications will not be fully disclosed.²⁸ To maintain national security, however, the Department of Defense is transforming the framework in which the military fights the enemy into “A Capabilities-Based Approach”. The purpose of a capabilities based approach is to enhance capability and reduce vulnerabilities, thus enabling DoD to become smaller, and more agile. Furthermore, the Department of Defense is engaged in a long-term war on terrorism. This new enemy is aggressive, relentless, and adaptive; therefore, DoD must transform its understanding of warfighting. Some people understand transformation to be about technology, but can also be about:

- Changing the way we think about challenges and opportunities.
- Adapting the defense establishment to the new perspective.
- Refocusing capabilities to meet future challenges.

The primary reason behind transformation is to change the mindset of government warfighters. Transformation means divesting in some areas and investing in others to achieve future capabilities. It is evident that DoD needs to meet future warfighting capabilities, but transformation is not speaking just about warfighting. It also represents restructuring business practices (e.g, financial management, supply and contracting). In

²⁶ George Schlossberg, Base Closure Alert: Comparison of BRAC Selection Criteria, 2004, <http://www.kutakrock.com/publications/federalpractice/BRAC%20criteria%20comparison%2015%20oct%2004.pdf> (December 15, 2005)

²⁷ Ibid.

²⁸ Further details can be found on line at <http://www.brac.gov/docs/DoDForceStructurePlan.pdf>

short, a “Capabilities-Based Approach” transformation focuses more on how adversaries may challenge us rather than on who those adversaries might be or where we might face them.²⁹

3. Comprehensive Base Inventory

“The Comprehensive Base Inventory describes “the baseline footprint” of installations that will be affected by BRAC 2005” and the force Structure Plan & Infrastructure (Base) Inventory to Congress. As part of the FY 05 Budget justification documents submitted to Congress, the Secretary shall include the following:

- A force-structure plan for the Armed Forces based on an assessment by the Secretary of the probable threats to the national security during the 20-year period beginning with fiscal year 2005.
- The probable end-strength levels and major military force units (including land force divisions, carrier and other).
- Major combatant vessels, air wings, and other comparable units needed to meet these threats, and the anticipated levels of funding that will be available for national defense purposes during such period.
- A comprehensive inventory of military installations world-wide for each military department, with specifications of the number and type of facilities in use.
- The active and reserve forces of each military department.
- A description of infrastructure necessary to support the force structure described in the force structure plan.
- A discussion of excess categories of excess infrastructure and infrastructure capacity.
- An economic analysis of the effect of the closure or realignment of military installations to reduce excess infrastructure.
- A certification regarding whether the need exists for the closure or realignment of additional military installations.
- Certification that the additional round of closures and realignments would result in annual net savings for each of the military departments beginning not later than fiscal year 2011.
- Feb 16, 2004 Final Selection Criteria. Not later than this, date the Secretary of Defense.³⁰

29 Further details can be found on line at <http://www.brac.gov/docs/DoDForceStructurePlan.pdf>

30 United States Department of Defense, Base Realignment and Closure 2005, <http://www.defenselink.mil/brac/>, December 15, 2005.

The 2005 BRAC was similar to the previous four base closure rounds. President George W. Bush nominated members of the Commission. The Pentagon provided a list of closure recommendations to the Commission. The Commission reviewed the list and submitted its own recommendations to the President. The President reviewed the recommendations and either accepted or rejected the list. If the President accepted the commission recommendation, the list was forwarded to Congress. At that point, Congress has 45 days to return their decision. If the President, however, disapproves the commission recommendation then the BRAC process ends, i.e., the President accepts either all of the recommendation or none.

“The same process was used to close 97 bases from all services in four previous rounds (1988, 1991, 1993, and 1995). However, that is where the similarities between those rounds and BRAC 2005 end. The new BRAC commission incorporates two important changes. First, the group expands from eight to nine members to prevent tie votes. Second, any changes commission members want to make to the Pentagon’s list required seven votes. In the past, changes only required a simple majority.”³¹

C. FUTURE EFFECTS CONTRACT BERTHING

The BRAC 2005 process has closed more reserve bases than any other single action in history and has forced the Navy Reserve Activities to make changes. On average, BRAC’s consequences have affected more than one-hundred reserve bases throughout DoD. For example, if the New Orleans region were closed, drilling reservists (weekend warfighters) affected would have to join new units. If Readiness Command South (located in Texas) were closed or transferred to another site then the 1,270 average monthly personnel traveling greater than 50 miles would still need to drill and therefore need contracting berthing. So, the Readiness Command is moved or closed, the people will still need a place to lodge. Although it is acknowledged that Readiness Commander feel as though that the Base Realignment and Closure process have minimum impact on contract berthing, it is reasonable to believe that bases that close will lose their berthing

³¹ Cahlink, George, “BRAC to the Future: Journal of the Air Force Association Vol. 87 (April 2004): No. 4.

assets. As a result, those rooms that were previously available for persons to utilize will no longer be provided because of Base Realignment and Closure process.



Figure 6. 2005 Navy and Marine Corps Base Realignment and Closure Bases Reserve Centers Only

All this affects the cost of contracts with local hotels. These closures will cause the Navy Reserve to need more funding to lodging the sailors and marines during weekend training periods.

The timing variable may be affected, by the closing and realigning of bases. In other words, some bases may not have the availability to lodge reservists.

The finance variable may be affected by the change in the supply and demand mode.. As the demand for hotel accommodations, increases due to the increase in the number of reservists requiring lodging without a reciprocal increases in the supply of hotel accommodations, it is assumed that the vendors will charge more for their services. This action, in turn, will increase the cost of Navy Reserve and contract berthing arrangement.

A suspected outcome of the BRAC process, the, is a continued shortfall because of the Navy Operational Support Centers consolidation.

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V. CONTRACT BERTHING DATA ANALYSIS

A. INTRODUCTION

This chapter examines the data for three fiscal years generated from each Readiness Commands. The discussion includes, but not limited to, manpower, finances, and time-forecasting as the determining factors of cost increase and decrease of contract berthing. The chapter provides graphs, evaluate quantifiable numbers, and highlights alternative courses of action for contract berthing. In other words, it takes the actual data and analyzes the reason or causes of the problem.

B. COMPREHENSIVE ANALYSIS OF READINESS COMMANDS

With reference to Figure 8, the relationship between the number of personnel per person and expense per person is plotted. Figure 8 shows that as the number of personnel increase in the Readiness Command that average expenditure per person decreases. For example, Readiness Command South has a larger population of personnel and more small bases to house transient personnel than found in other Commands. As a result, Readiness Command South is most likely using its Bachelor Quarters to lodge the majority of its Inactive Duty Trainers. Conversely, as the number of personnel decrease in the Readiness Command the average cost of Contract Berthing on average increases. One reason is that cost is treated like a variable cost, meaning that when the demand of personnel is greater than 3,000 then the cost per unit is absorbed evenly among persons.

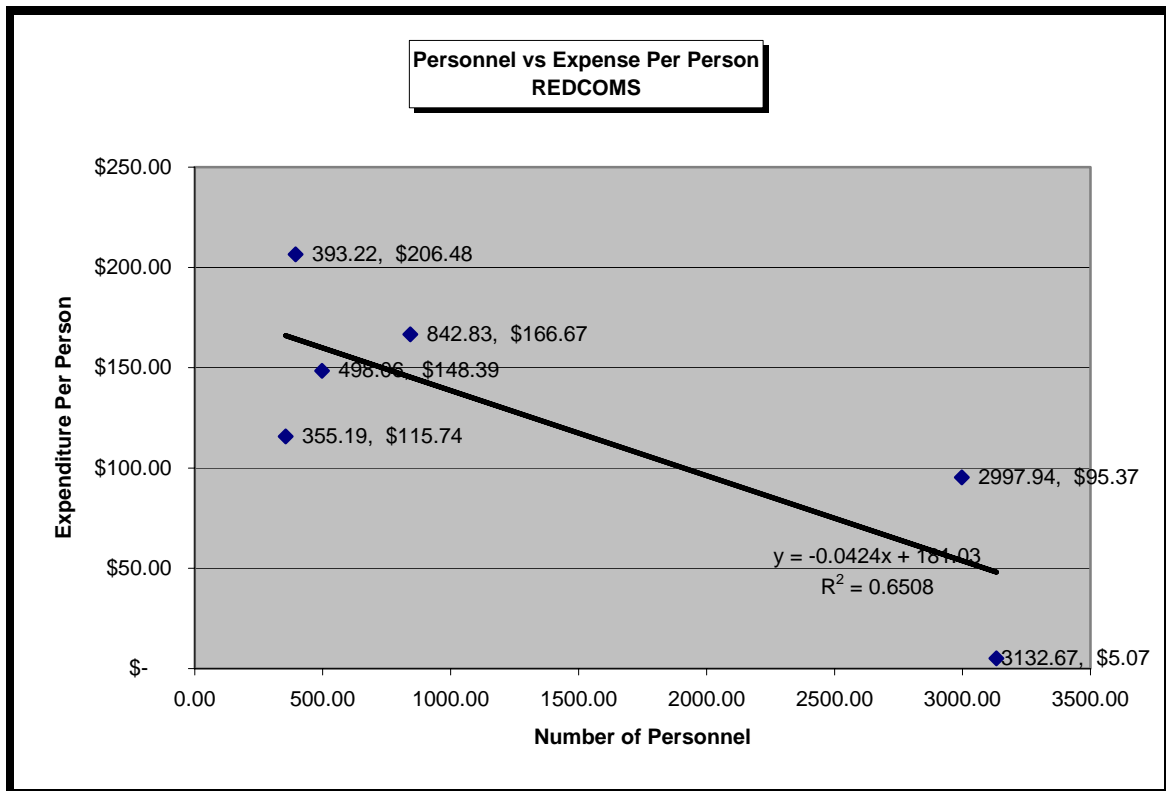


Figure 8. Number of Personnel versus Expenditure per Person

Figure 9 shows the aggregate number of personnel traveling greater than 50 miles and the number of nights purchased by the Readiness Commands. There has been an increase from 182,668 to 442,755 in the number of nights purchased from FY03 to FY05. With an increase in the number of nights purchased, it is obvious that the number of personnel traveling greater than 50 miles and the number of personnel has increased proportionately as depicted in the graph. The interesting trend is the ratio of nights purchased versus personnel greater than 50 miles. The graph shows that as the number of nights purchased steadily increases over three fiscal years the number of people traveling decrease by three percent. Purchasing more rooms would give the impression that there are more people traveling greater than 50 miles. Therefore, an increase in personnel and the consolidation of bases the Navy will be forced to contract more rooms from the local community. Instead, fewer people are traveling more than 50 miles. One possible explanation for this phenomenon may be that a portion of the total number of people

traveling can be attributed to persons who were mobilized to fight the war on terror rather than reservists traveling more than 50 miles to an assigned location for weekend warfighting.

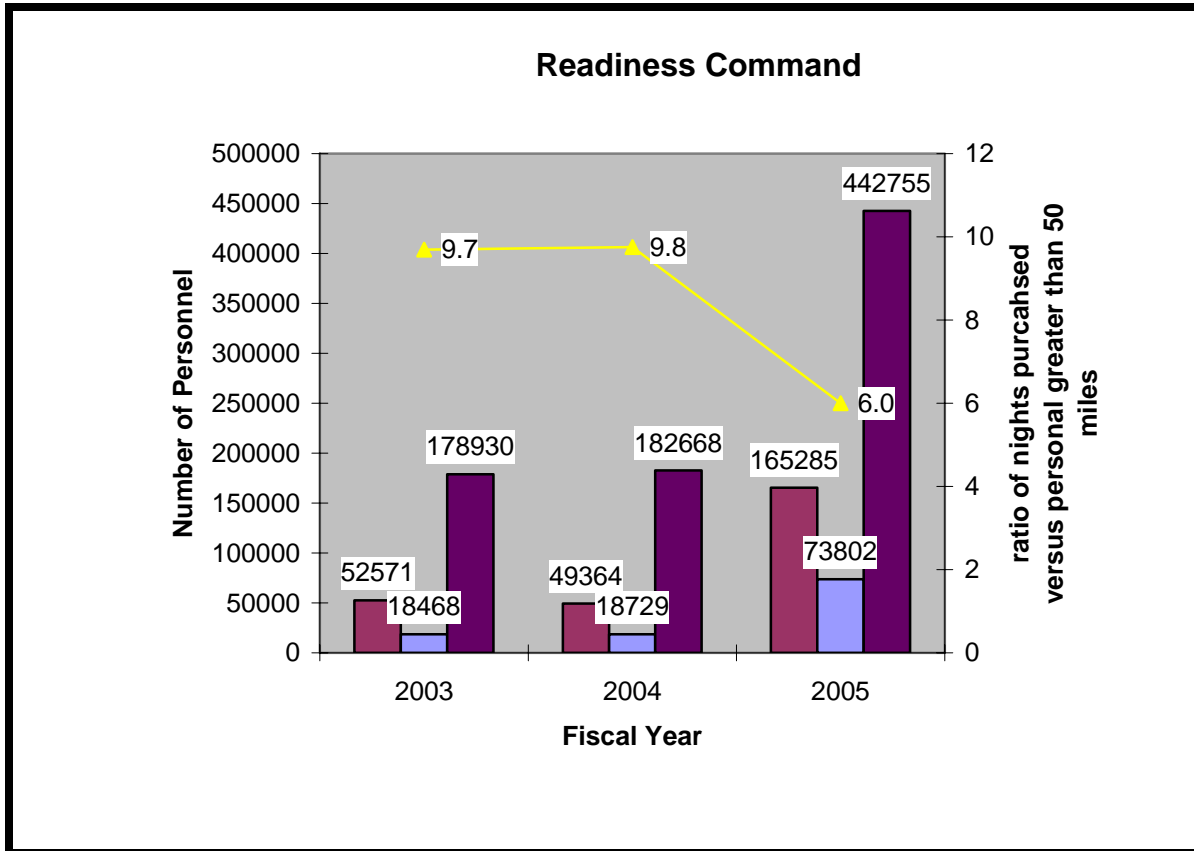


Figure 9. Ratio of Nights Purchased versus Personnel Greater than 50 miles

Figure 10 shows that fiscal years 2003 and 2004 are similar with regards to the number of personnel, number of personnel traveling greater than 50 miles, and number of nights purchased from 2003 and 2004. It appears that REDCOMS manages personnel by the number of personnel traveling greater 50 miles because the figures are within a reasonable range compared to the fiscal years. Fiscal year 2005, however, seems to be out of a reasonable range. In 2005, the REDCOMS, on average, purchased three times more rooms than they had personnel. It is not clear as to why, one can assume that they purchased rooms in lots and people did not utilize the contracted rooms. Nonetheless, I recommend further clarification per REDCOM is recommended.

In addition, it is noted that the number of personnel is 52,571, 49,364, and 165,285 for 2003, 2004, and 2005 respectively. As one examines these numbers it appears that the 2003 and 2004 number of personnel is normal or within a reasonable range, but 2005 is out of range. One expects that 2005 ought to be slightly higher than 2004, but not tripled.

Further, if one compares 2004 nights purchased to 2004 personnel traveling greater than 50 miles, it indicates that the Readiness Commands purchased, on average, 9 rooms per person. However, comparing 2005 nights purchased (442,775) to 2005 personnel traveling greater than 50 miles; it indicates that the Readiness Commands purchased, on average, 6 rooms per person.

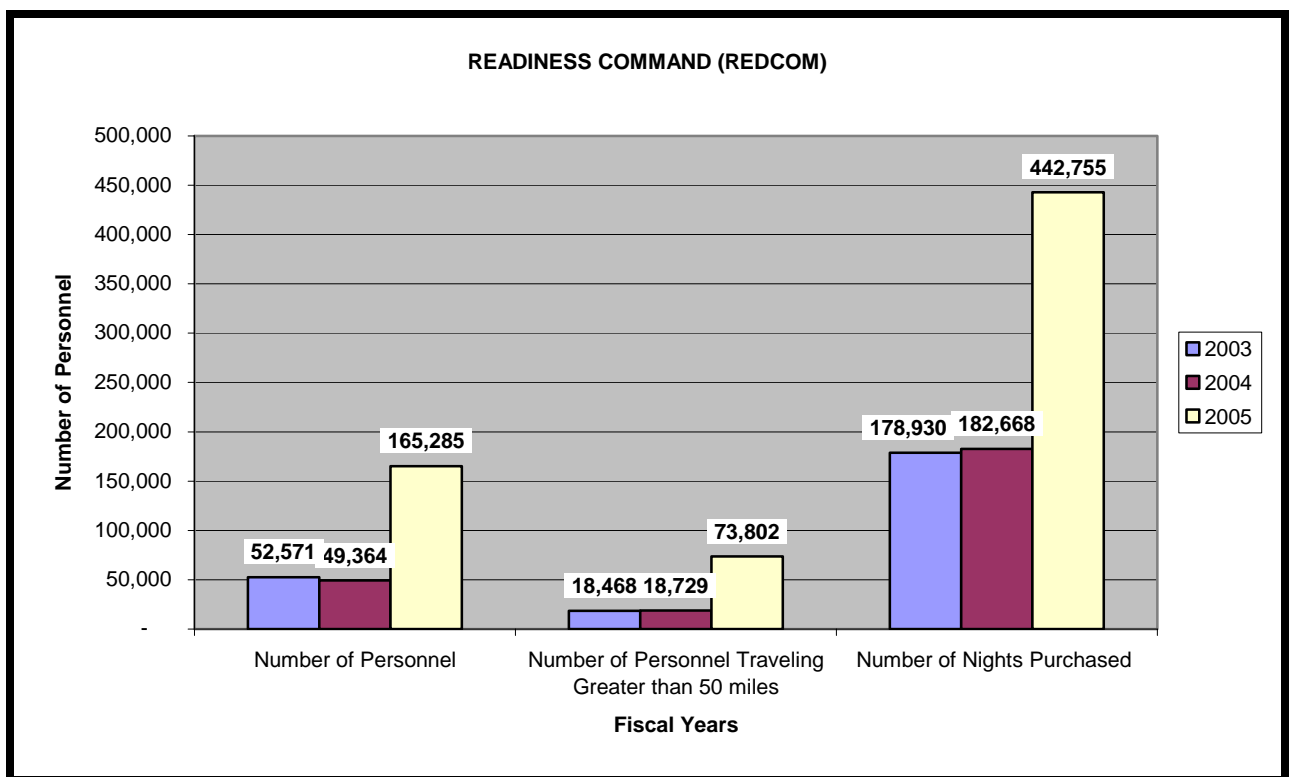


Figure 10. Number of Personnel/Traveling/Nights Purchased versus Number of Units

Figure 11 depicts the increase in nights purchased by Readiness Command (REDCOMS). It is clear that from 2003 to 2005, there has been a significant increase.

The increase in the number of rooms purchased between 2003 and 2004 was about two percent; this does not compare to a slight decrease in personnel over the same period. However, the increase of 58 percent in the number of rooms purchased between 2004 and 2005 of 58 percent is much greater than the corresponding decrease in personnel, which was negative six percent.

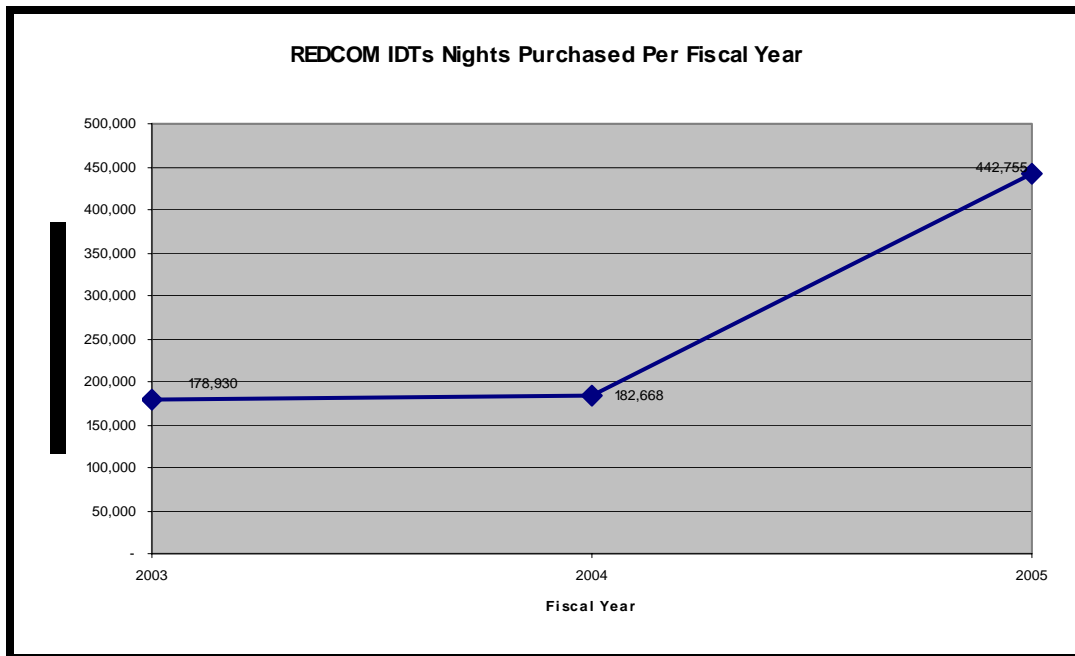


Figure 11. Fiscal Year versus Number of Nights Purchased

Figure 12 depicts the average growth of the Readiness Command (REDCOMS). REDCOMS personnel growth has increased by 3.14 percent from 2003 to 2005. From 2003 to 2004, growth has decreased by 6 percent; however, from 2004 to 2005 personnel growth significantly increased to 3.34 percent. The reason for this sudden increase from 2004 to 2005 could be the recall to active duty and the mobilization of troops because of the Global War on Terror (GWOT).

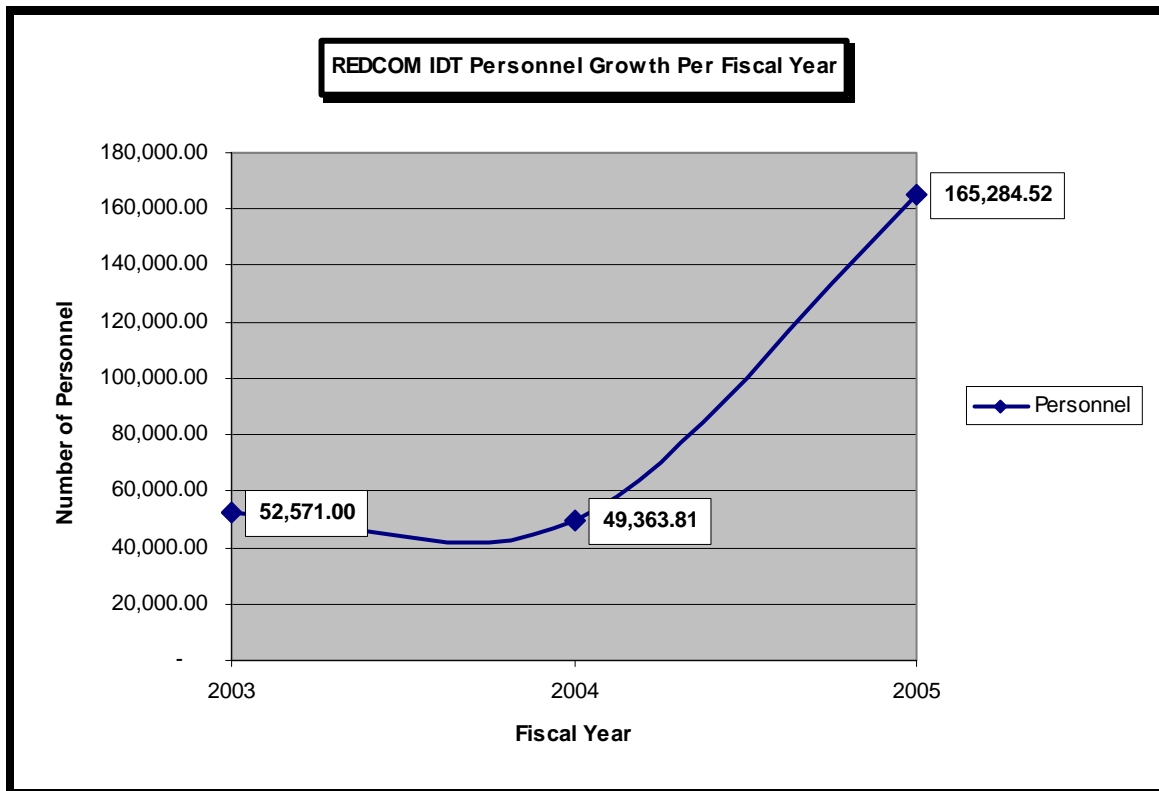


Figure 12. Fiscal Year versus Number of Personnel

Figure 13 shows a plot of the relationship between fiscal years (2003, 2004 and 2005) and the number per year of reservist personnel who traveled more than 50 miles per year by reservist personnel. In fiscal year 2003 and 2004, 17 percent of personnel travel greater than 50 miles out of the total 110,999 miles among the three years. The number of personnel traveling greater than 50 miles, in 2005, was 65 percent. This is possibly attributed to the integration of reservists and the increased level of reserves recalled helping combat the arduous war on terror.

As stated above, people traveling greater than 50 miles changed very little from 2003 to 2004. The greatest change in the number of personnel traveling greater than 50 miles was from 2004 to 2005, by an increase of 25 percent.

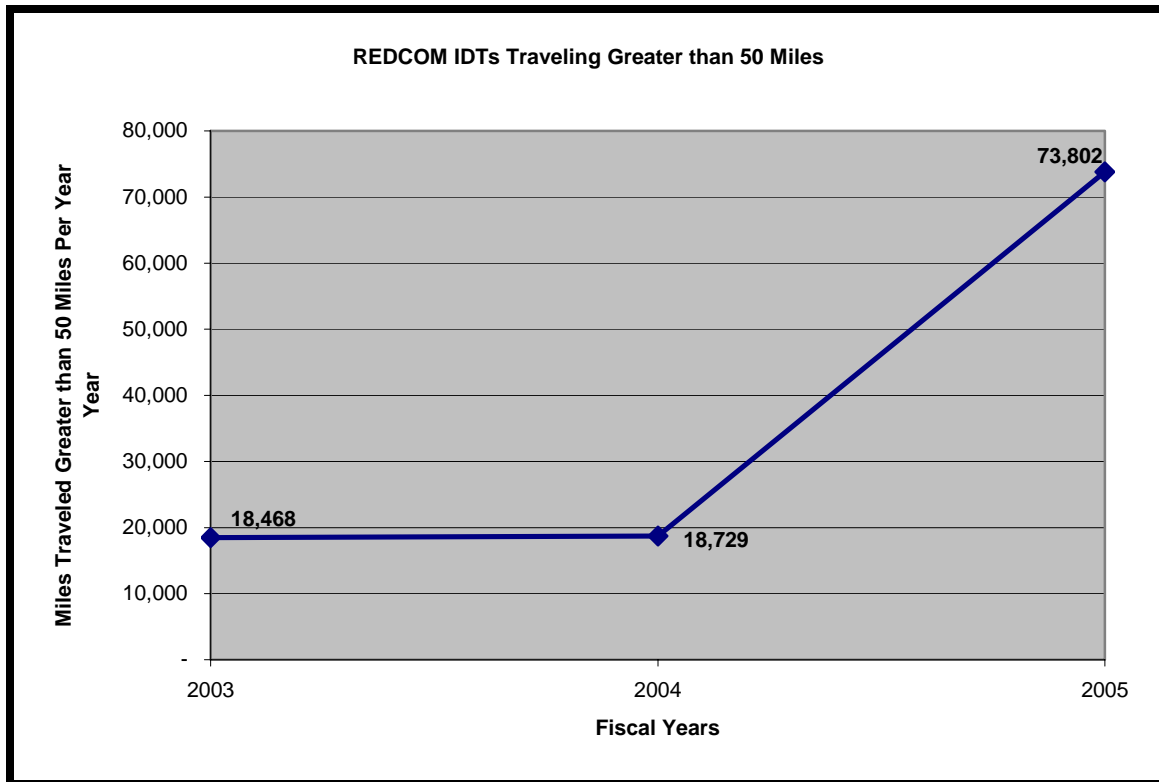


Figure 13. Fiscal Years versus Number of Miles Traveled Greater than 50 miles per Year

Figure 14 shows a bar graph of the Readiness Commands and the number of personnel per month that drill at each command. The chart indicates that Readiness Command South has 40 percent of the 7,423 monthly personnel drilling at their sites. This percentage may help explain the reason the South purchased 34 percent of the room nights at their region, as further discussed below. Readiness Command Northwest, however, has 4 percent of the 7,423 people drilling at their site each month. The relative difference in the numbers of persons drilling in each command might be attributed to the location of the reserve bases, the location of reservists with respect to the reserve bases, and the number reservist in each area. Table 1 shows the percentage of the number of people drilling per month at each Readiness Command.

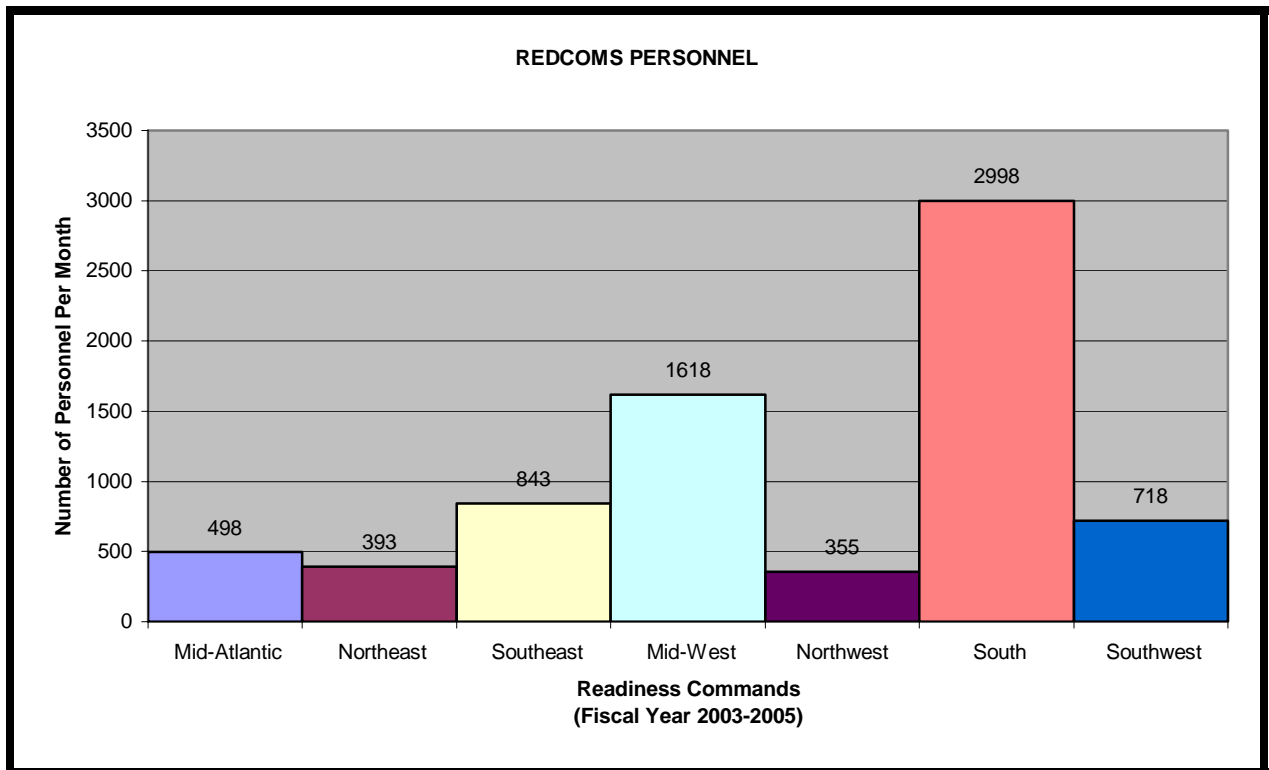


Figure 14. Readiness Commands versus Number of Personnel per Month

Table 1. Percent of Drilling reservist Personnel per Month

Readiness Commad	Percent of Total Personnel Drilling Per Month
South	40.39%
Southwest	9.67%
Northwest	4.78%
Midwest	21.8%
Northeast	5.29%
Southeast	13.33%
Mid-Atlantic	6.71%
Total	100%

Figure 15 shows a bar graph shows Readiness Commands and average number of personnel per month traveling greater than 50 miles. The Readiness Commands have a total of 3,084 personnel traveling each month greater than 50 miles. REDCOM Northwest has 119 personnel traveling greater than 50 miles each month, which constitutes 3 percent of the total 3084 person traveling per month. This is possibly attributed to Northwest having fewer personnel under their command. Readiness Command South, however, has 1270 people traveling greater than 50 miles each month. Readiness Command South has 41 percent of the 3089 personal traveling greater 50 miles a month under their command. It is reasonable to suppose that it has the highest number of people because each of its 29 reserve bases is located far from each other.

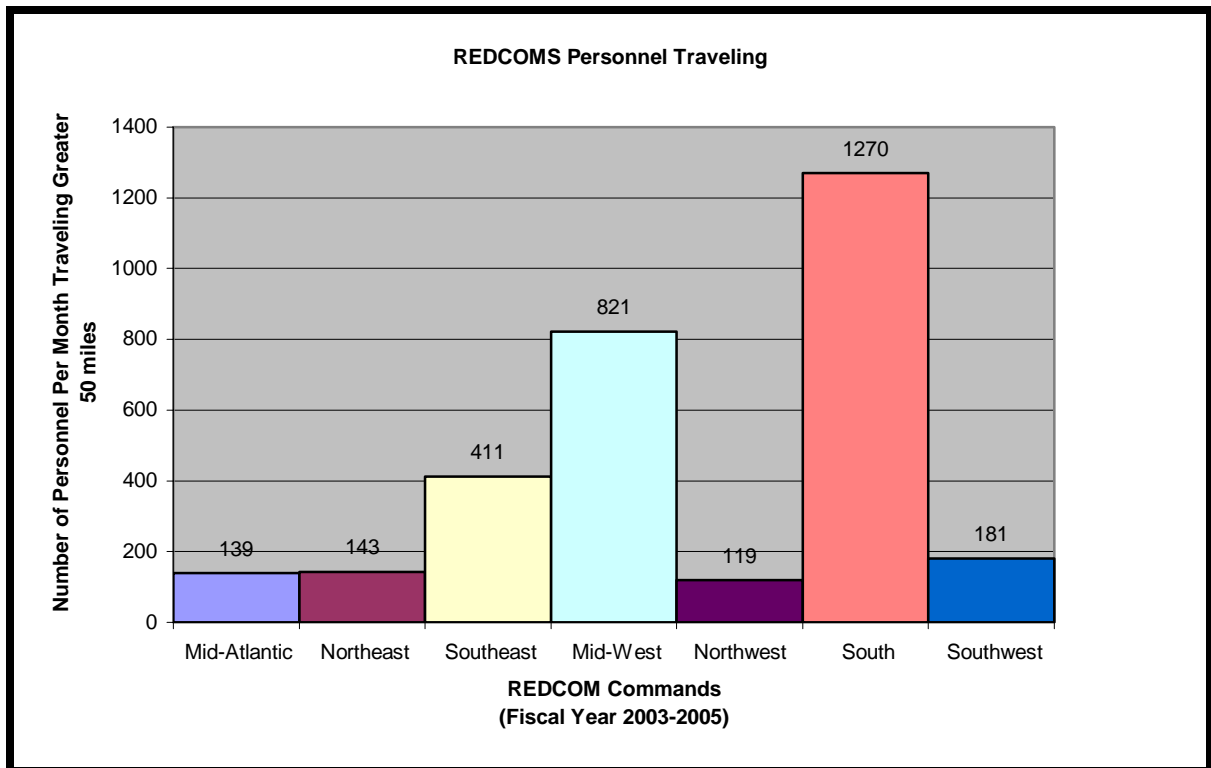


Figure 15. Readiness Command versus Number of Personnel per Month Traveling Greater Than 50 Miles

Table 2. Readiness Command versus Percentage of Personnel Traveling Greater Than 50 Miles

Readiness Command	Percentage of Personnel Traveling Greater Than 50 Miles
South	41.18%
Southwest	5.87%
Northwest	3.86%
Midwest	26.62%
Northeast	4.64%
Southeast	13.33%
Mid-Atlantic	4.51%
Total	100%

Figure 16 shows the relationship between Readiness Commands and average number of nights purchased per Readiness Command. The Readiness Commands purchased a total of 21,556 room nights per month. Readiness Command South purchased 34 percent of the 21,556 room nights per month. South has a minimal number of Combined Bachelor Quarters rooms available which is undoubtedly a cause (Table 3). It has two Combined Bachelor Quarters available. This factor, combined with the relatively large number of persons traveling greater than 50 miles in the South, 41.18% of the total number of persons traveling greater than 50 miles, undoubtedly accounts for the need for hotel accommodations (See Table 3). South has two Combined Bachelors Quarters available in Corpus Christi, Texas and in Ft. Worth, Texas.

By comparison, Northwest purchased fewer room nights. Northwest purchased four percent of the 21,556 rooms in the Readiness Command to accommodate a portion or all of the Northwest person traveling greater than 50 miles, 3.86% of the total number

of person traveling greater than 50 miles. This is possibly due to a grater availability of Combined Bachelor Quarters, sharing quarters among the 119 personnel traveling greater than 50 miles, a relatively accurate forecast of the number of rooms needed by the Northwest, or a combination of these. that are located in Corpus Christi and Ft. Worth, Texas. (rooms available) Northwest, however, purchased fewer room nights. It purchases 4 percent of the 21,556 rooms in the Readiness Command. This is possibly due to more Combined Bachelor Quarters available or the 119 personnel traveling greater than 50 miles per month share rooms.

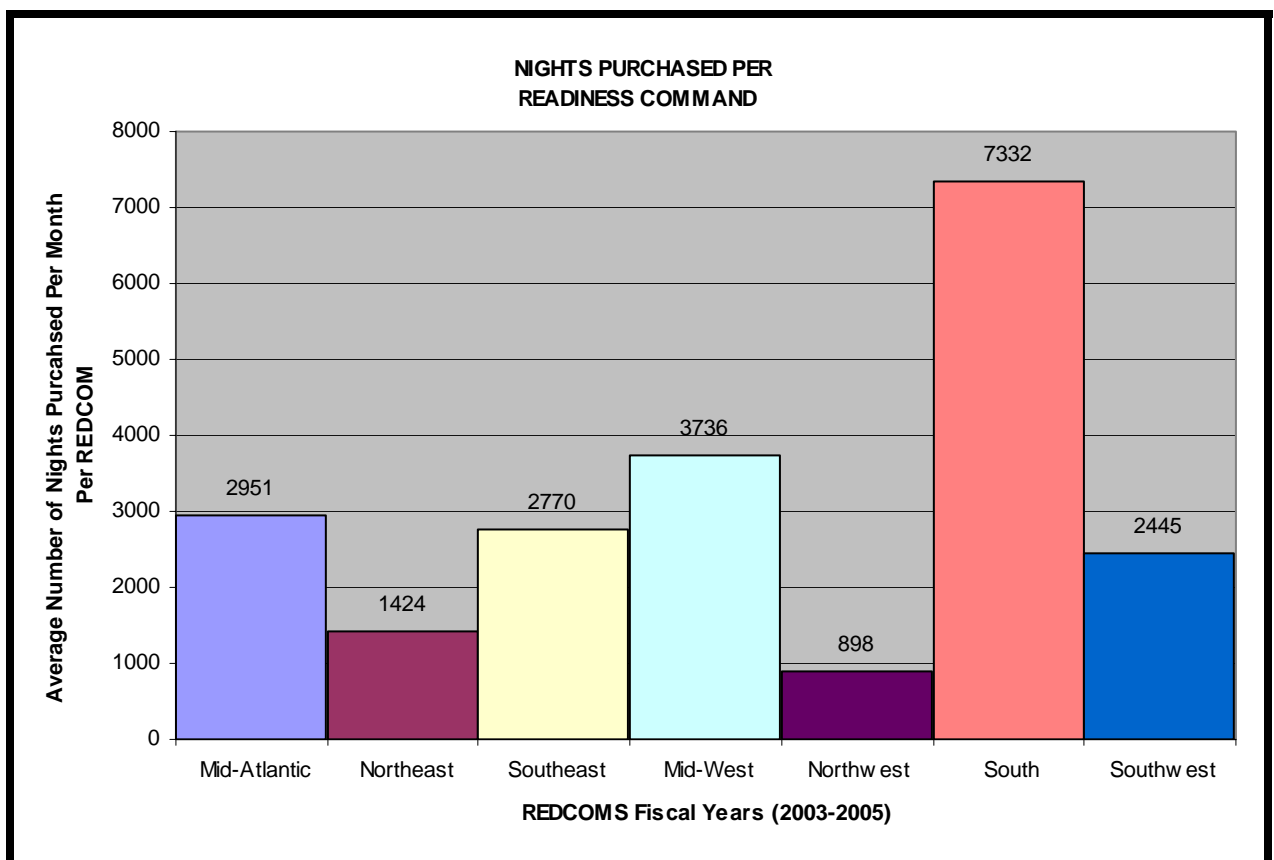


Figure 16. Readiness Commands versus Average Number of Nights Purchased per Month per Readiness Command

Table 3. Readiness Commands versus the Percentage of Room Nights Purchased per Month

Readiness Commands	Room Nights Purchased per Month
South	34.01%
Southwest	11.34%
Northwest	4.17%
Midwest	17.33%
Northeast	6.61%
Southeast	12.85%
Mid-Atlantic	13.69%
Total	100%

Figure 17 shows the Readiness Commands and the average number of personal and nights per month between Mid-West and South (Figure 17). Readiness Commands percentages are compared in Table 4.

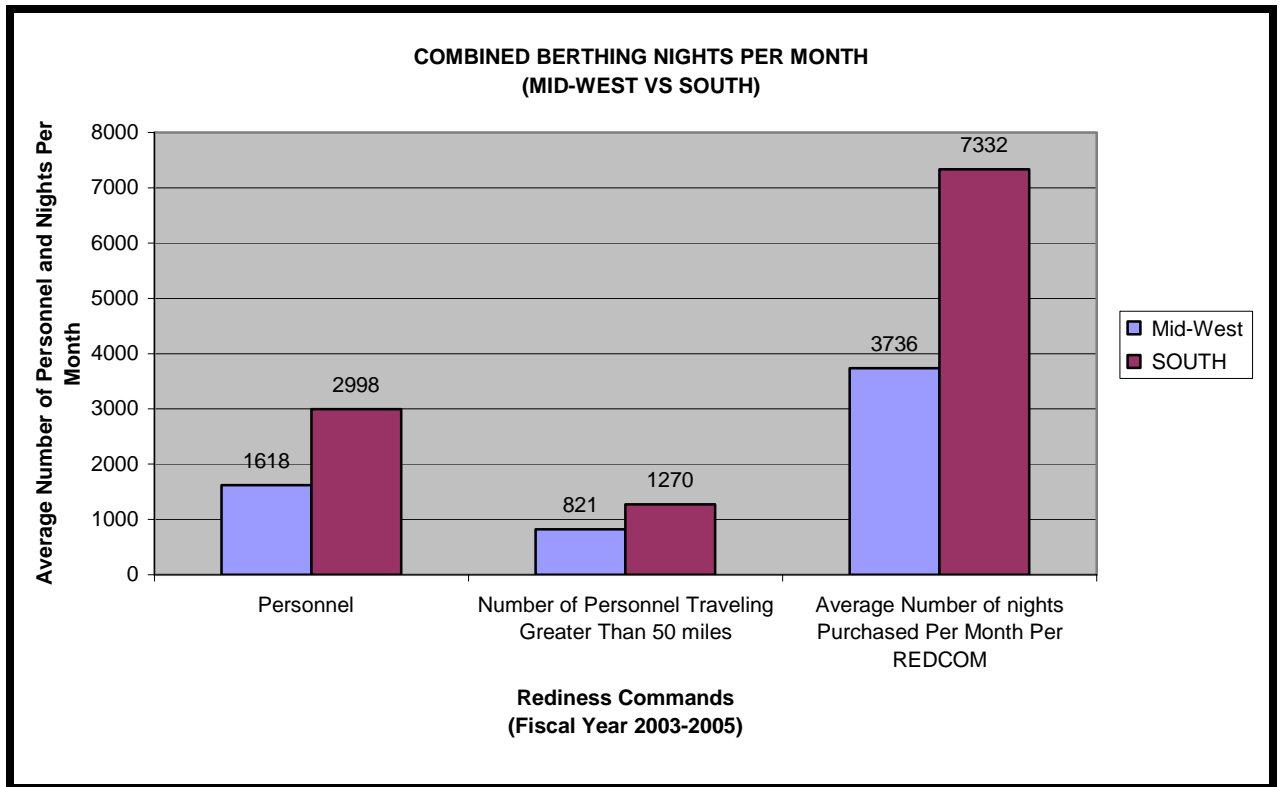


Figure 17. Readiness Commands(Mid-West and South) comparison versus Average Number of Personnel and Nights Per Month

Table 4. Mid-West and South Percentages relationshipTable 4

Readiness Command Mid-West	Percent	Readiness Command South	Percent
Personnel/Month	35%	Personnel/Month	65%
Personnel Traveling Greater Than 50 Miles	39.26%	Personnel Traveling Greater Than 50 Miles	60.74%
Room Nights Purchased	33.75%	Room Nights Purchased	66.25%

Figure 18 shows that the relationship of Readiness Commands and the average dollars spent per month for contract berthing. The Readiness Commands have obligated a total of \$828,716 per month for contract berthing. Readiness Command Southwest and Mid-Atlantic obligated 9.21 and 8.92 percent respectively. Although Southwest obligated almost equal amount of funding to contract berthing as Mid-Atlantic, Southwest has 3 percent more personnel drilling each month, 1.36 percent more personnel traveling, and purchased 2.3 percent less rooms than Southwest, yet Southwest yet obligates 30 percent more per month than Mid-Atlantic. It appears that on a per-month basis a 30 percent difference is not significant, but over the fiscal year it complicates future contract funding.

Readiness Command South obligates 34 percent of the total \$828,716 of contract berthing funding. As discussed above, this may be attributed to the fact that South has 41 percent of its total personnel traveling over 50 miles to their assigned drill locations yet as limited BOQ; therefore, South foresees a need to use local hotels (Table 2).

Readiness Command Northwest data is the lowest with 4.78 percent of the total number of personal per month, 3.86 percent personnel traveling and 4.17 percent of purchased rooms nights. The data further indicates that Northwest remains consistently the lowest among Readiness Commands obligating funding to hotels. This fact might be attributed to Northwest having fewer personnel and many reserve centers that covers a vast number of states. For example, Northwest covers a region comprising ten states and has 18 Reserve Center regions with few military lodging facilities. Northwest Readiness Commanders apparently ensure reservists utilize BOQ rooms on Navy, Army, Air Force and National Guard installations before obligating funding to local hotel. In addition, the local hotels may reserve a number of rooms for the drilling reservists. Figure 17 shows the anomaly between Readiness Command Northwest and Mid-Atlantic.

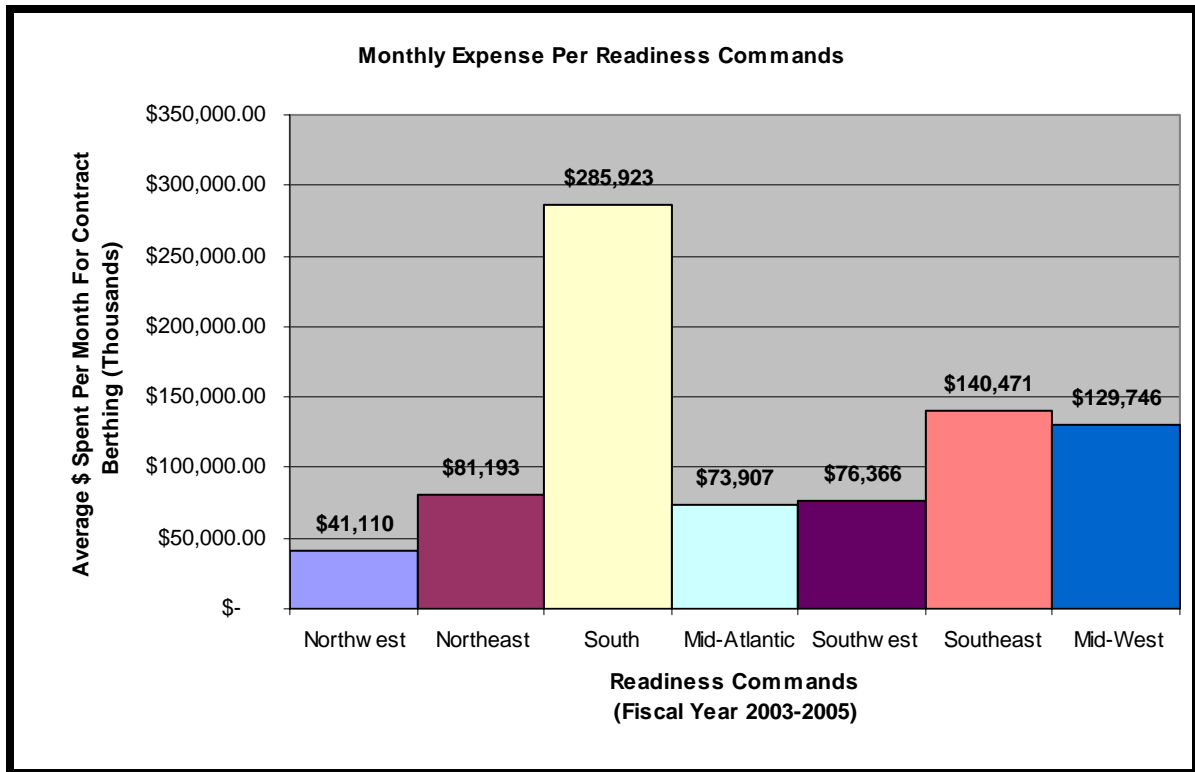


Figure 18. Readiness Commands versus Average Dollars spent per month for Contract Berthing

Table 5. Comparison of Mid-West and Southwest funds obligate toward Contract Berthing

Readiness Commands Mid-Atlantic	%	Readiness Commands Southwest	%
Personnel/Month	6.71%	Personnel/Month	9.67%
Personnel Traveling Greater Than 50 Miles	4.51%	Personnel Traveling Greater Than 50 Miles	5.87%
Room Nights	13.69%	Room Nights	11.34%

Purchased		Purchased	
Obligated Funds/Month to Contract Berthing	8.92%	Obligated Funds/Month to Contract Berthing	9.21%

Figure 19 shows a small sample size of a regression line. The plot shows a positive relationship between the Readiness Commands to the average night's purchased per month. The relationship is for the whole group (some of the commands have larger residuals and some have smaller residuals). The chart indicates that 80 percent of the variation in average nights purchased per month per Readiness Command is explained by the Readiness Command Personnel. The remaining 20 percent is unexplained. In general, the higher the percentage of R^2 , the better the model fits the data and shows the measure of strength of that relationship. Readiness Commands Northwest, Northeast, Southwest and Southeast have a positive relationship to the number of nights purchased each month. The monthly nights purchased for Mid-Atlantic and Mid-West are related because of high volume of Reserve personnel each month.

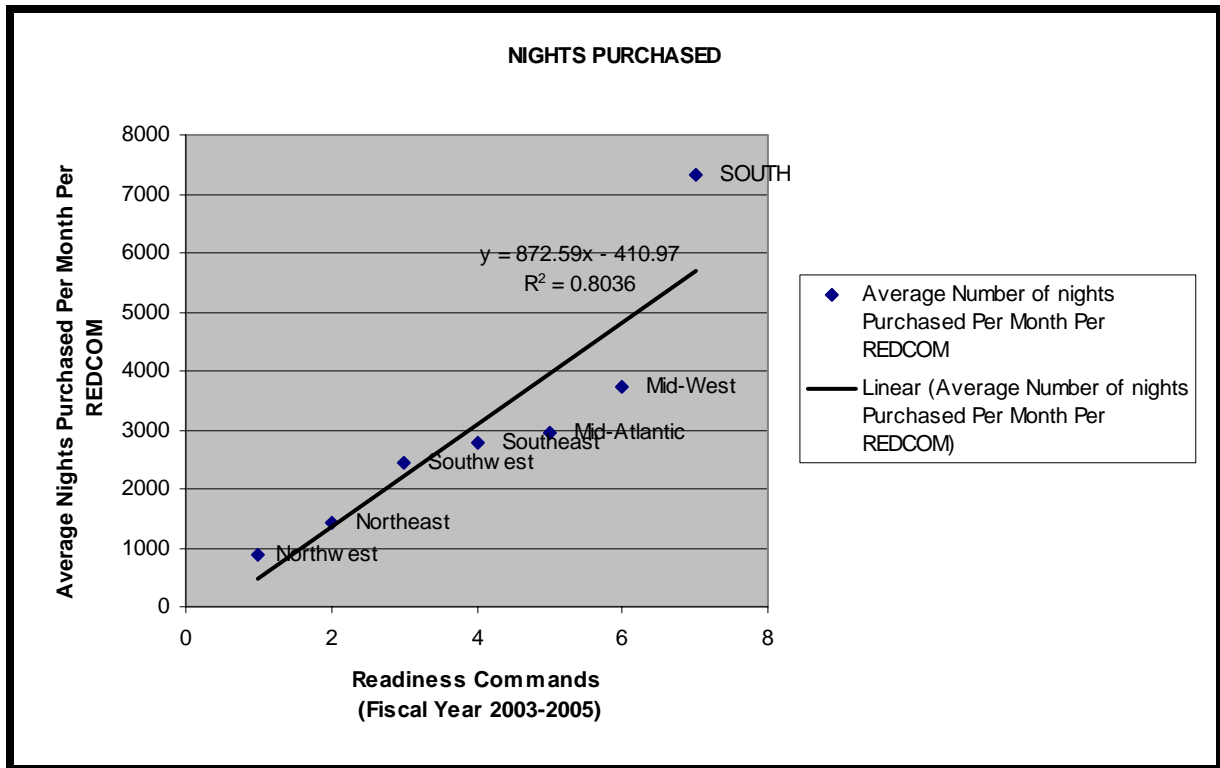


Figure 19. Readiness Command versus Average Nights Purchased per Month per Readiness Command

Figure 20 shows the relationship of Readiness Command Personnel to Average Number of Personnel per Month per Readiness Command. As the scatter plot indicates, the dots represent personnel. This chart indicates that 94 percent of the variation in average number of personnel per month is explained by the Readiness Commands Personnel. The remaining 6 percent is unexplained.

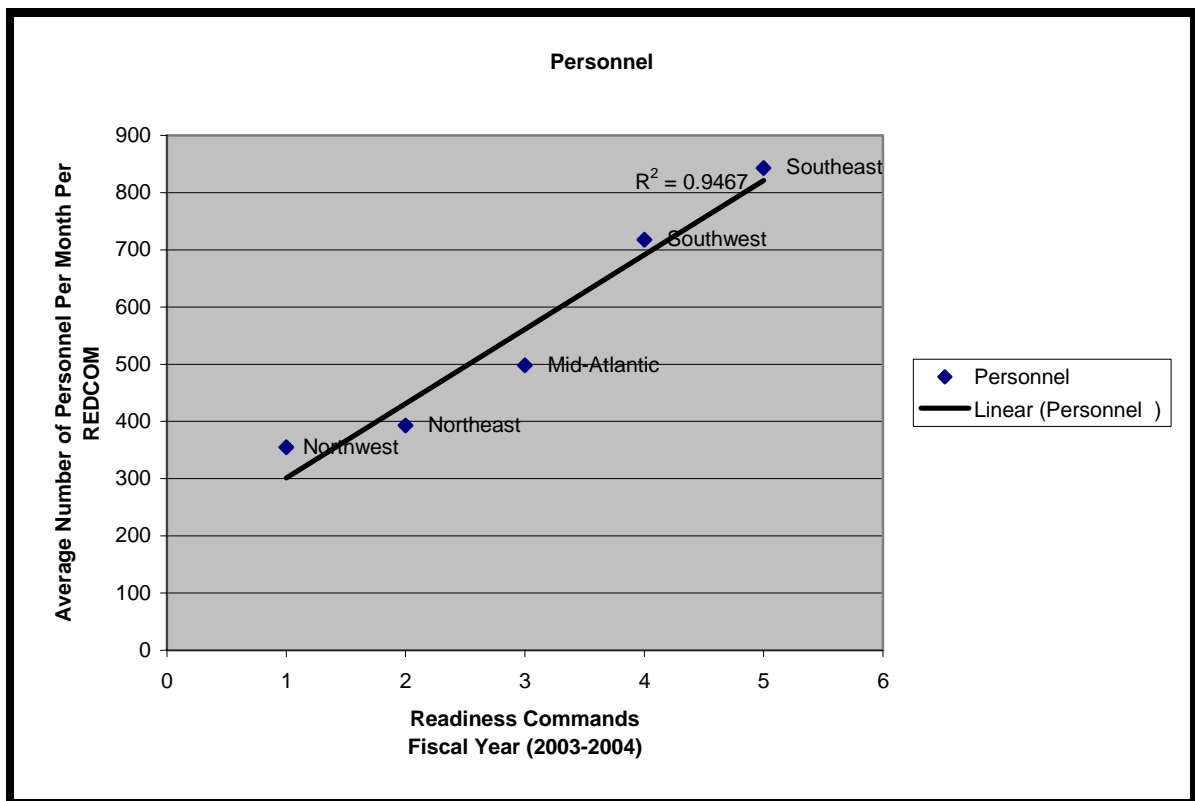


Figure 20. Readiness Commands versus Average Number of Personnel per Month

Figure 21 shows a plot of the relationship between fiscal years and reserve population per Readiness Command. Readiness Command personnel (both officers and enlisted), in 2003, was 21 percent of the total 300,006 combined fiscal years. From 2003 to 2004, the population per fiscal year of Readiness Command decreased to 19.8 percent of the total population. The population in per year, in 2005, increased to 58 percent of the total population. The personnel growth rate of the fiscal years increased more than 98%. According to a GAO report, “In 2004, the Navy completed a study of how many selected reserve personnel are needed to support the active force in meeting current and future mission requirements.” The GAO recommended that Navy Reserve consider cost-effectiveness in balancing the scales of active and reserve personnel which most be based

on current data. Moreover, the Navy Reserve should “allocate the required resource to maintain current Navy mission documents that would provide a valid baseline for ongoing and future workforce reviews.”³³

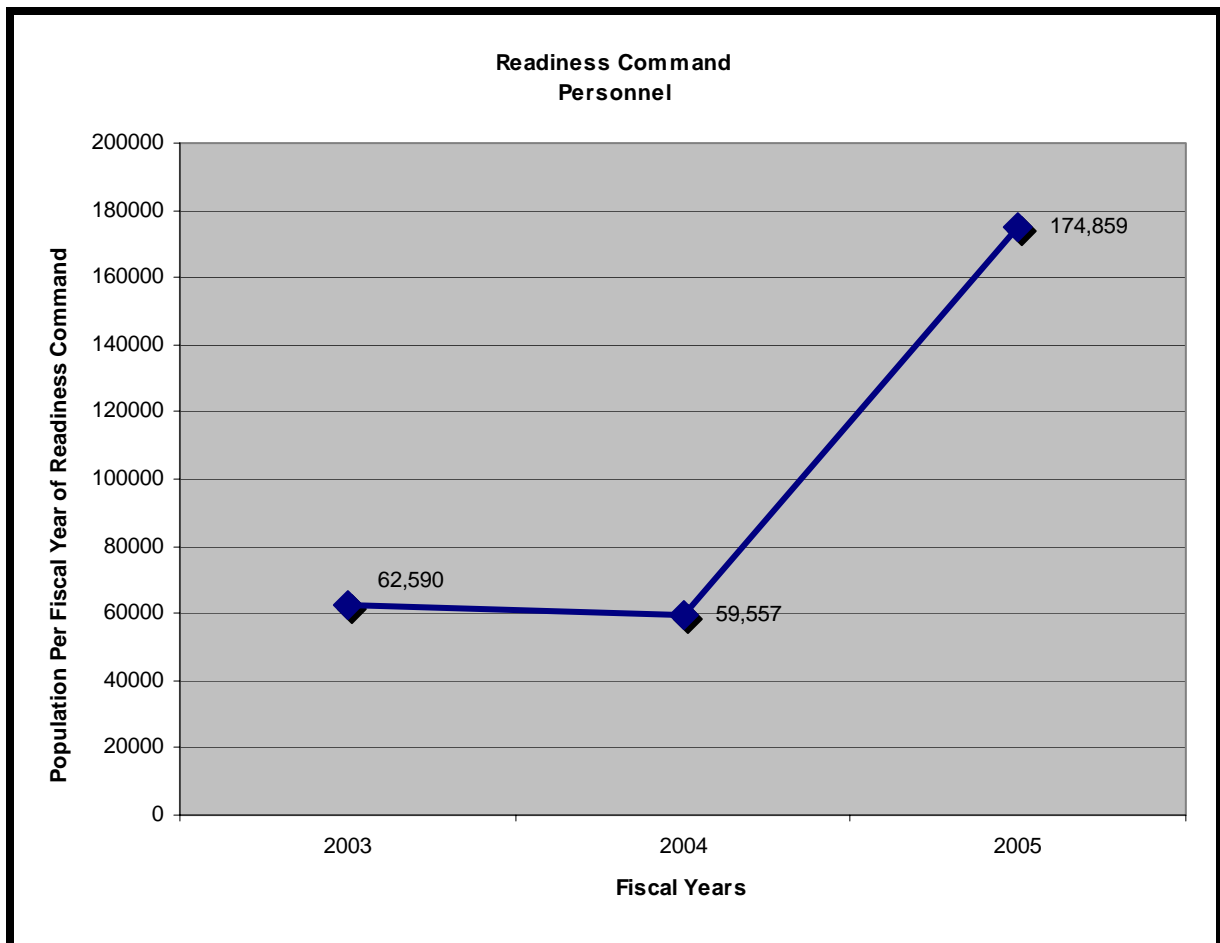


Figure 21. Fiscal Years versus Total Personnel of Readiness Command

Figure 22 shows a plot of the overall increase in the amount of amount of nights purchased per year by Readiness Commands. The number of nights purchased per year increased from 203,381 to 213,308 in 2003 and 2004 respectively. However, Readiness

³³ United States Department of Defense, Base Realignment and Closure 2005, <http://www.defenselink.mil/brac/>, December 15, 2005.

Commands nights increased significantly from 213,308 to 486,435 in 2004 and 2005 respectfully. Readiness Commands purchased 3.3 the number of nights in 2005 relative to 2004.

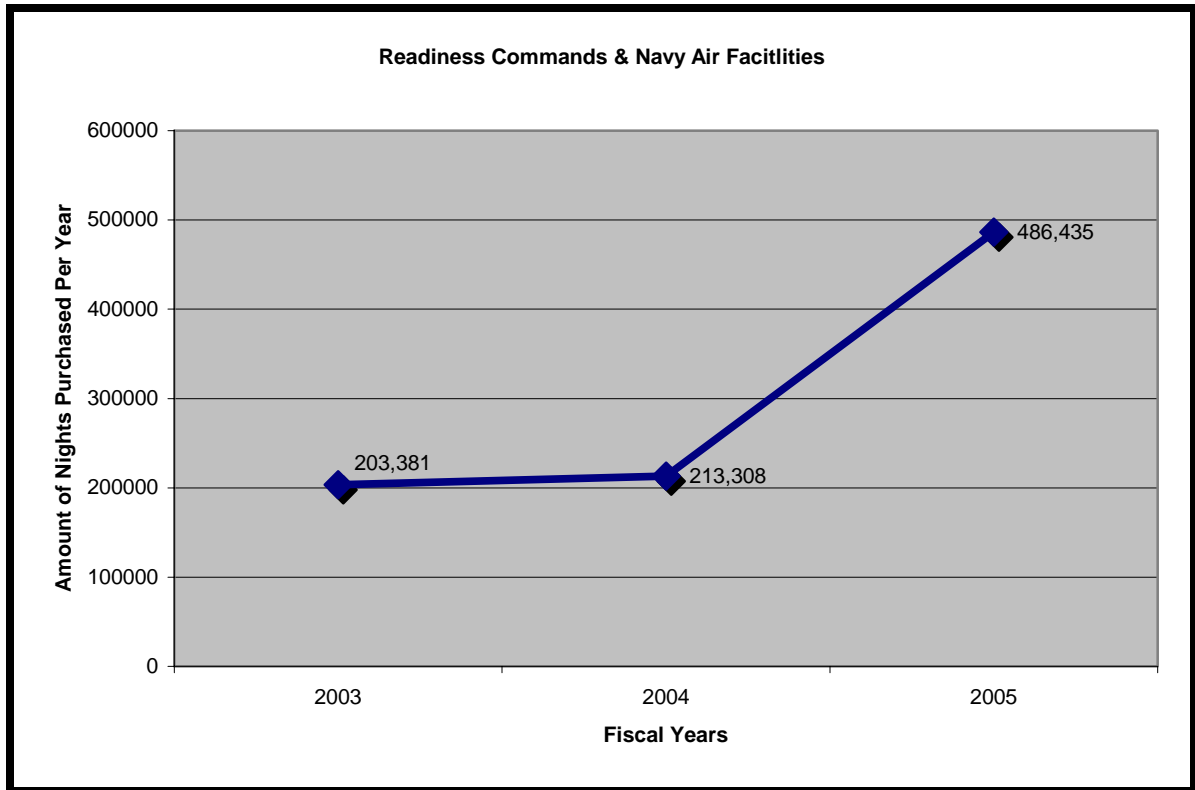


Figure 22. Fiscal Years versus Amount of Nights Purchased Year

Figure 23 shows a plot of the overall increase in the number of sailors who travel greater than 50 miles radius to their drill site. The number of personnel traveling beyond the 50 mile limit to their permanent drilling site decreased from 25,210 to 23,741 in 2003 and 2004 respectively. Again, this chart shows the relationship between the fiscal year and the number of sailors increased significantly in fiscal year 2005.

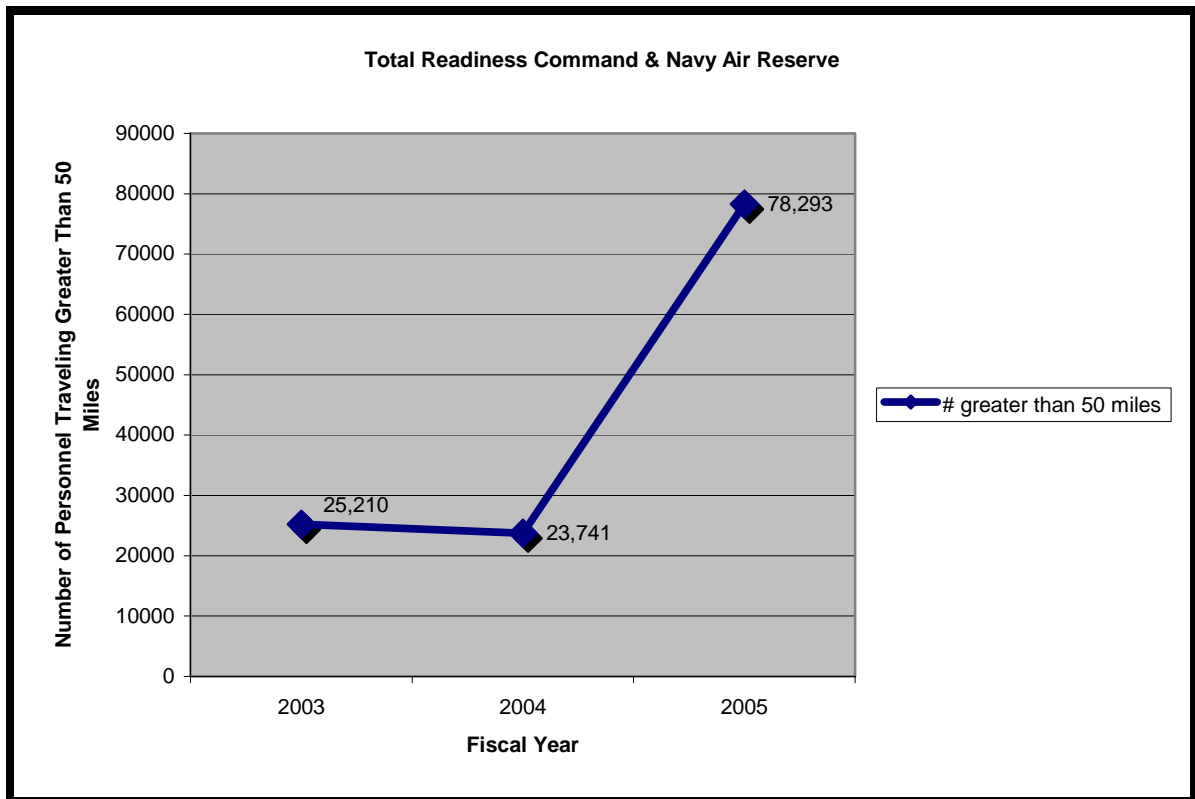


Figure 23. Fiscal Year versus Total Number of Personnel Traveling Greater Than 50 miles

Figure 24 shows bar graphs of the increase or decrease in military personnel, number of miles traveled greater than 50 miles to their assigned drill location, and the number of nights purchased per fiscal year. The sample data indicated that, on average, 62,590, 59,557, and 174,589 were the number of personnel in 2003, 2004, and 2005 respectively that traveled to their perspective reserve centers. The personnel manning between 2003 and 2004 indicates a 5 percent decrease in personnel. Conversely, fiscal year 2004 and 2005 indicates an increase of more than over 90 percent in personnel. This increasing trend is possibly derived from the Global War on Terror coupled with the Department of Defense's Base Realignment and Closure strategy and policy. The number of personnel traveling greater than the 50 miles from their home has significantly increased from 2003 to 2005. The graph indicates that in 2003, 2004, and 2005 that 25,210, 23,741, and 78,293 personnel traveled more than 50 miles respectively. There was a 5 percent decrease in personnel driving more than 50 miles between 2003 and 2004.

Conversely, between fiscal year 2004 and 2005 there was an increase of more than 98 percent. As indicated, the graph shows that the relationship of personnel and the number of miles traveled increase and decrease proportionately.

For Fiscal Year 2003, 2004, and 2005 figures indicates that the Navy Reserve appropriated funds for 203,381, 213,308, and 486,435 nights respectively. The number of nights purchased increased somewhat (2 percent) in fiscal year 2004; in fiscal year 2005 nights purchased increased more than 98 percent.

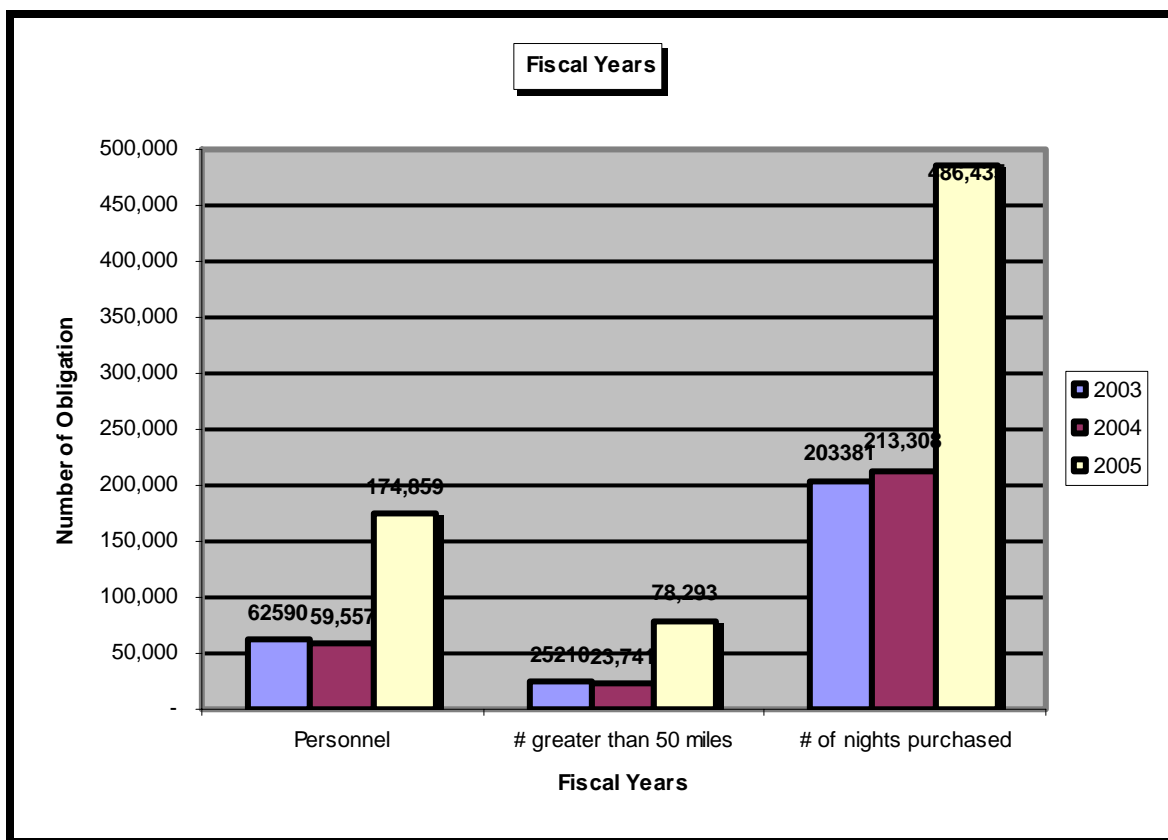


Figure 24. Fiscal Years versus Number of Obligation

Figure 25 shows a plot of the amount of funding flows by fiscal year. The fiscal year expenditures were \$7,704,665, \$11,002,452, and \$18,278,782 for 2003, 2004, and 2005 respectively.

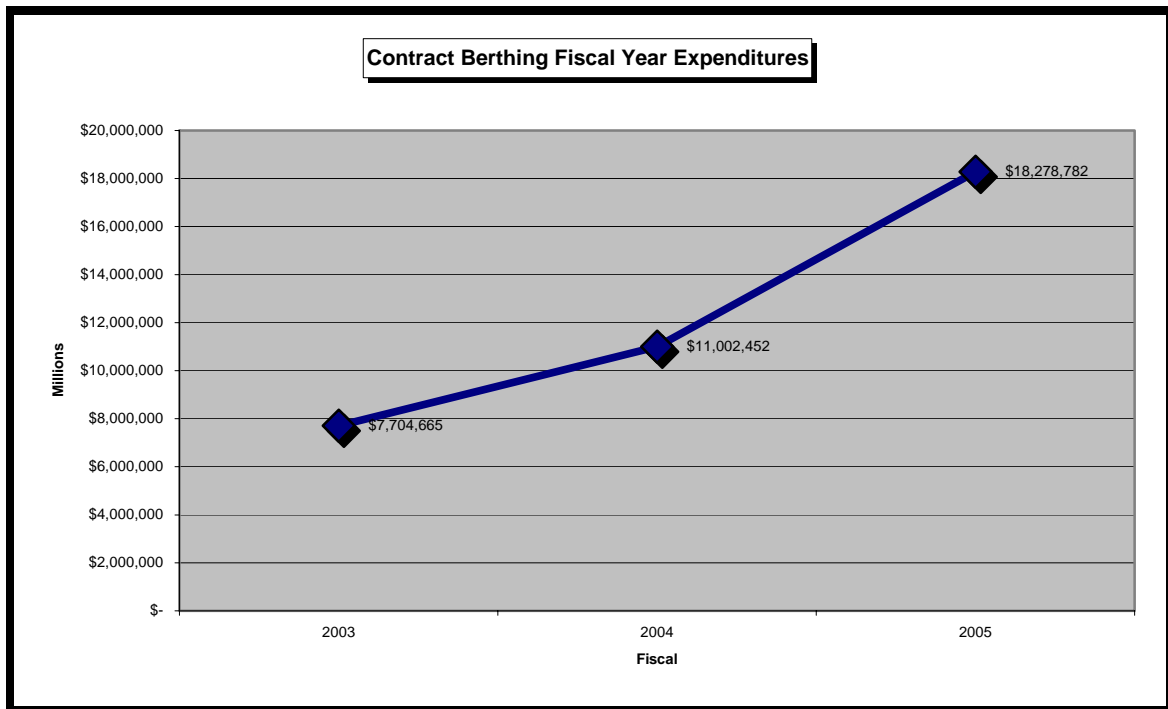


Figure 25. Contracting Berthing Expenditures versus Fiscal Year

Figure 26 shows a plot of the Navy Reserve Readiness Command (REDCOM) only. There is a positive relationship between the average people traveling greater than 50 miles. The greater the demand of personal traveling equals the greater supply of nights to accommodate people.

It is interesting to see that REDCOM South has on average 1,350 people who travel more than 50 miles to their drilling site whereas REDCOM Mid-Atlantic (inclusive of NAR Willow Grove) demand of 3,133 people is supplied by purchasing more than 6,000 nights.

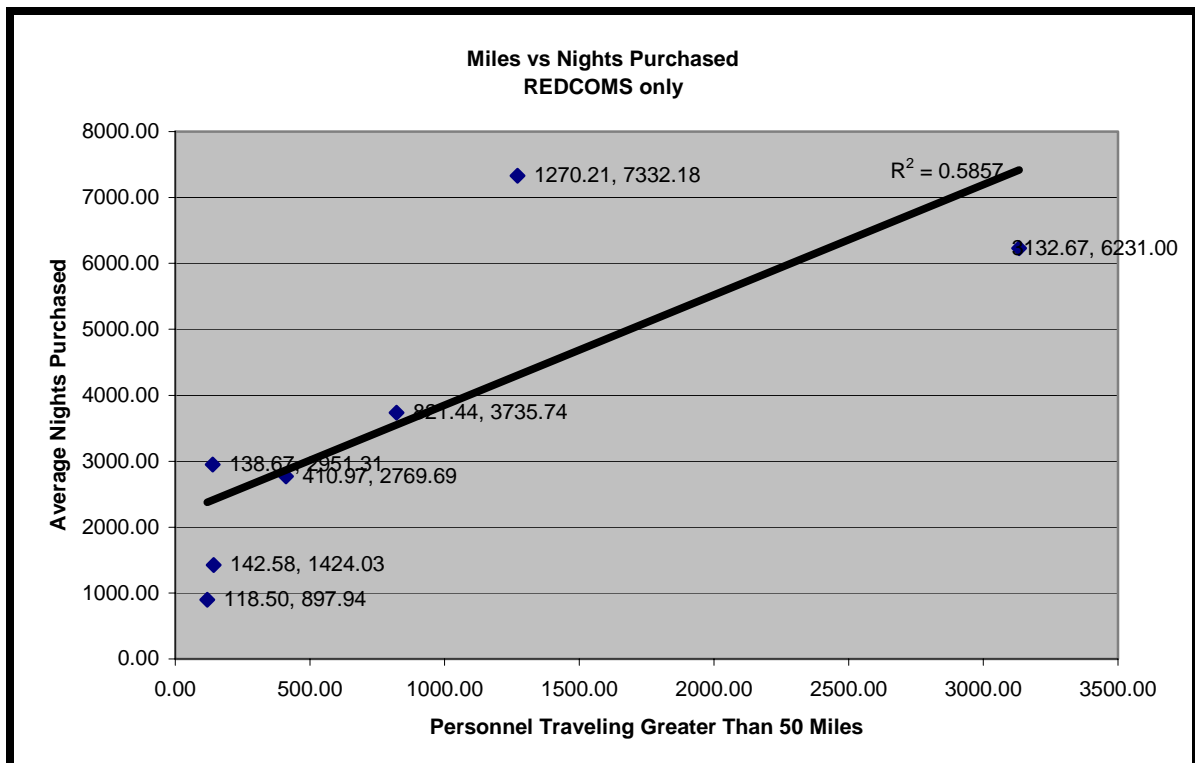


Figure 26. Average Miles Greater Than 50 miles versus Average Nights Purchased

Figure 27 shows a plot of the number of personnel to the expenditures per person. Moreover, there are a few commands that have expenditures above \$200.00. Therefore, there is no correlation between the number of personnel and the expenditure per person.

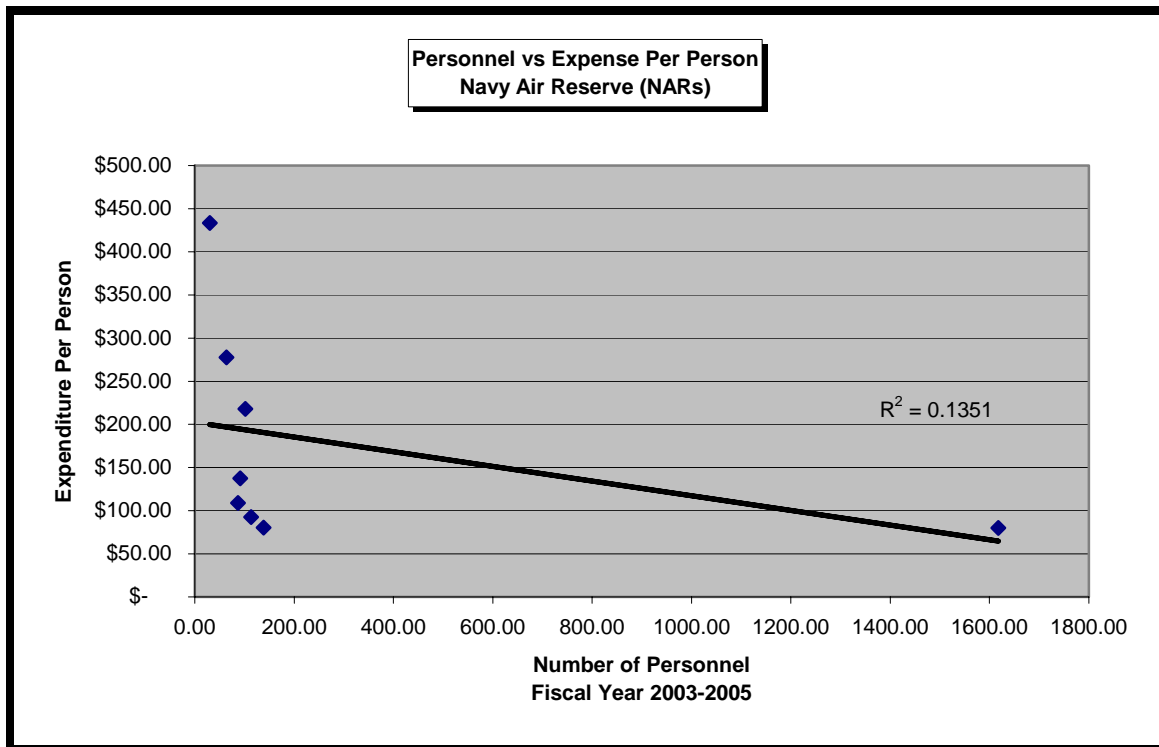


Figure 27. Number of Personnel versus Expenditures Per Person

Figure 28 shows a plot of the Navy Air Reserve and Navy Air Force units. As the purchases increases the price per night per person decreases, for example, NAR New Orleans purchased approximately 800 nights for their drilling reservist which cost them on average \$10 per night per person.

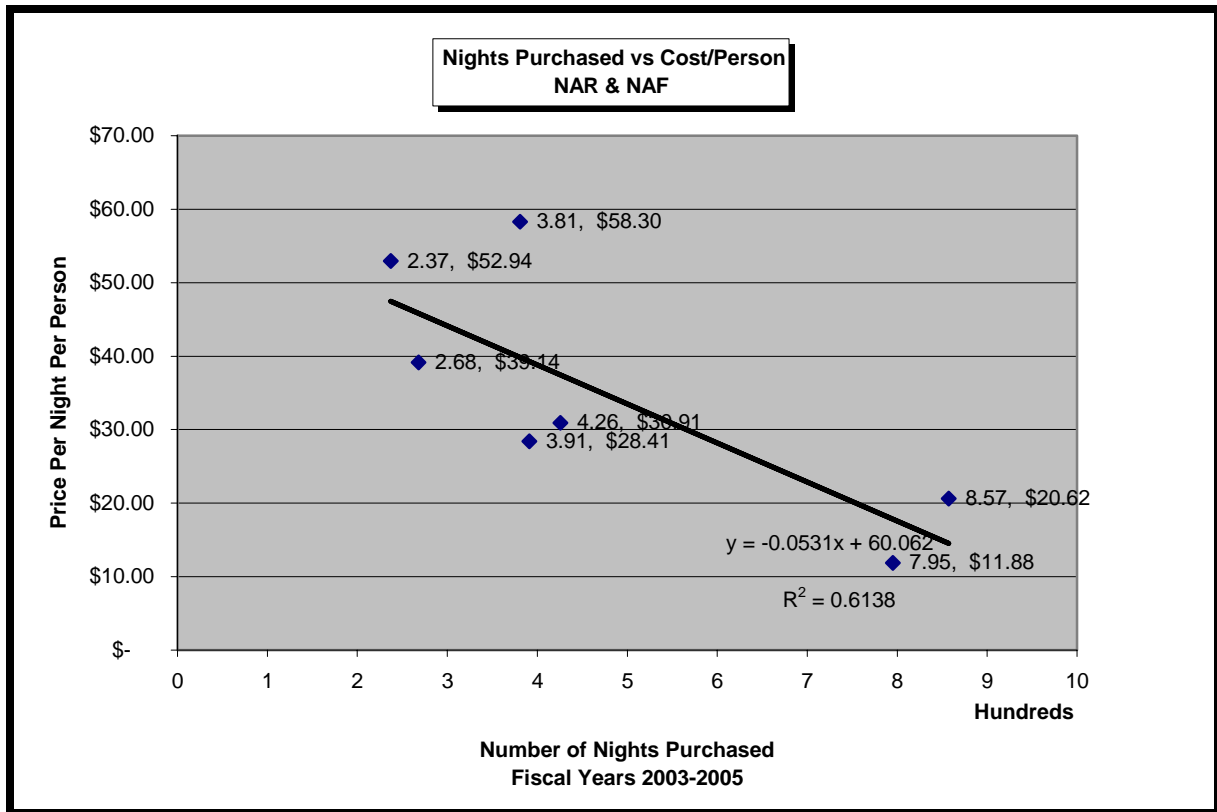


Figure 28. Number of Nights Purchased versus Price per Night per Person

Figure 29 shows a bar graph of the relationship between Navy Air Reserve Commands and the average unit cost per night for contract berthing. Navy Air Facilities Washington is more expensive than the other commands. Washington's unit cost per night is 24 percent of the total \$242. Let's compare the unit cost per night of Atlanta with Washington, there is a slight decrease in the percentages. Navy Air Reserve Atlanta charges 21 percent of the total \$242. I speculate that Washington and Atlanta unit cost are high because of the laws of supply and demand. If the Navy Air Reserve command purchased more units from hotels then the unit cost per hotel room would be cheaper. Conversely, in Atlanta and Washington scenarios it purchased fewer rooms which prevented the price from being shared by a group of individuals.

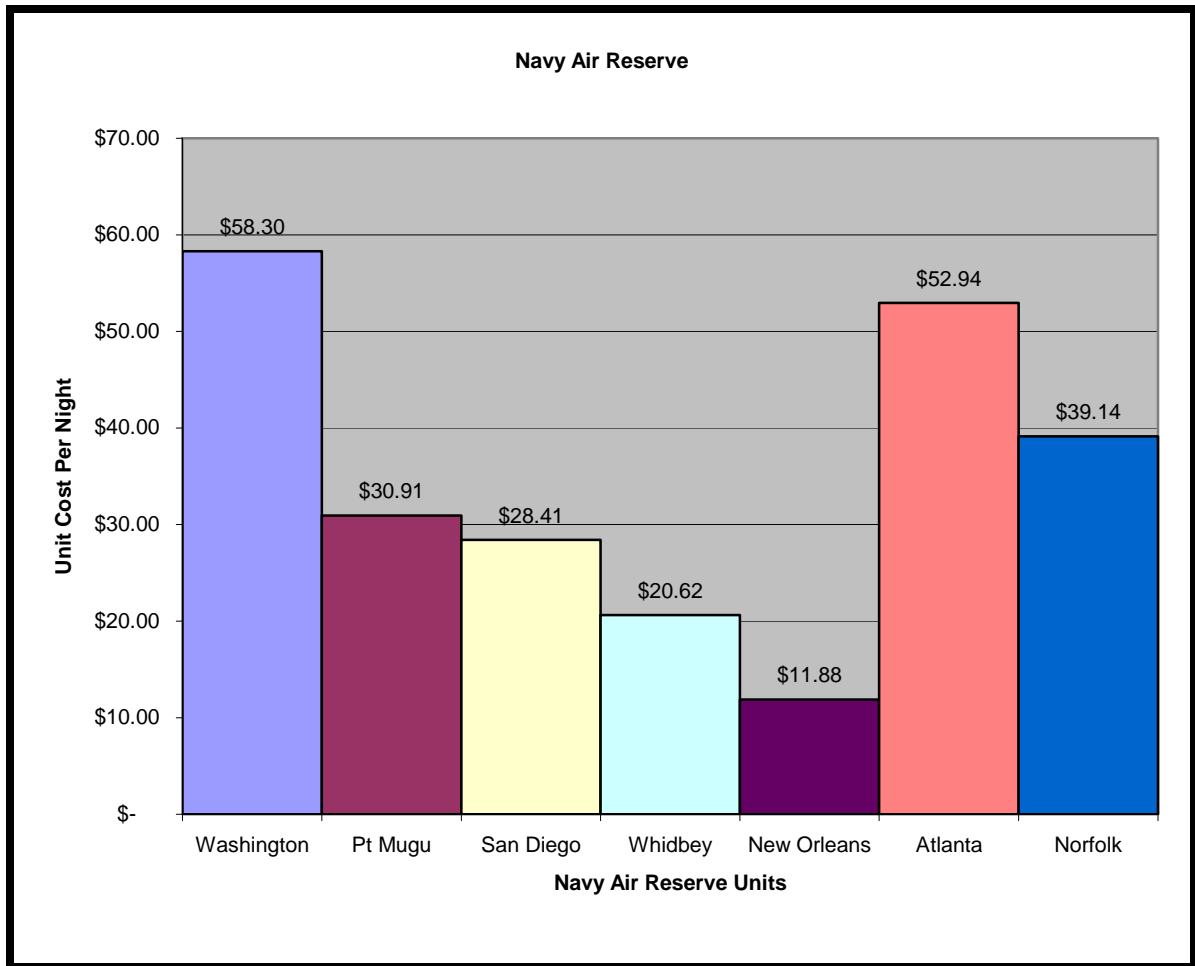


Figure 29. Navy Air Reserve Contracting Berthing Cost per Night

Figure 30 shows bar graphs of both Navy Reserve Readiness Commands (REDCOM) and Navy Air Reserve. The largest commands REDCOM South, on average, purchases 7332 rooms per month lodging personnel. Conversely, REDCOM Northwest, on average, purchases 898 rooms per month lodging personnel. However, the chart also depicts the smaller commands such as the Navy Activities. These activities indicate that NAR Whidbey purchases average of rooms 857.42. NAR Whidbey purchases more rooms per night because they have less barracks and more inactive duty training (IDT) personnel traveling beyond of 50 miles. Regarding Readiness Command Southwest, the graph suggests that San Diego has more personnel; but has a higher local population. According to Readiness Command Southwest Commander Patrick Whitsell, “Very few

of the drillers drill at the center, they all drill at their gaining commands. In fact, out of 7000 drillers only 300 to 500 drill at the center. In addition, there are 100 hundred Bachelors Enlisted Quarters (BEQ) rooms utilized for drillers. On the other hand, the reason for Pt. Mugu having a larger average nights purchased is because it is located in a remote area with few BEQ/BOQ rooms. When Pt. Mugu has reached its capacity in the government quarters then it must utilize hotels. The 30 personnel received by Pt. Mugu are unlikely to be from the local community which increases cost.

When comparing Readiness Commands Mid-Atlantic to READINESS COMMAND Southeast, it is evident that they are both larger commands. At a glance, one would think that Southeast would spend more for contract berthing, but actually Mid-Atlantic contracts more rooms because of the lack of Combined Bachelor Quarters to lodge Inactive Duty Trainers (IDTs). However, when one compares NAR Whidbey to NAR Norfolk it appears that NAR Whidbey should purchase less contract berthing than NAR Norfolk because of less personnel drilling. On average, NAR Whidbey trains more than 64 drilling reservists per month and NAR Norfolk trains 113 drilling reservist per month. Therefore, the data leads me to believe that because NAR Norfolk has a higher number of drilling reservists than NAR Whidbey so their cost of contract berthing should be higher. It would be true if they had the same amount of rooms available to Inactive Duty Trainers, but they don't. According to Brunswick Maine Senior Chief Store Keeper Tisha Phillips, "NAR Norfolk purchases fewer room nights of contract berthing than NAR Whidbey because of a greater availability at the CBQ." Combined Bachelors Quarters, for NAR Norfolk, are available at Naval Station Dam Neck, Naval Station Little Creek, NAS Oceana, and NAS Norfolk." One can conclude that this availability significantly reduces the need to use contract berthing as compared to other Navy Operational Support Centers (NOSC).

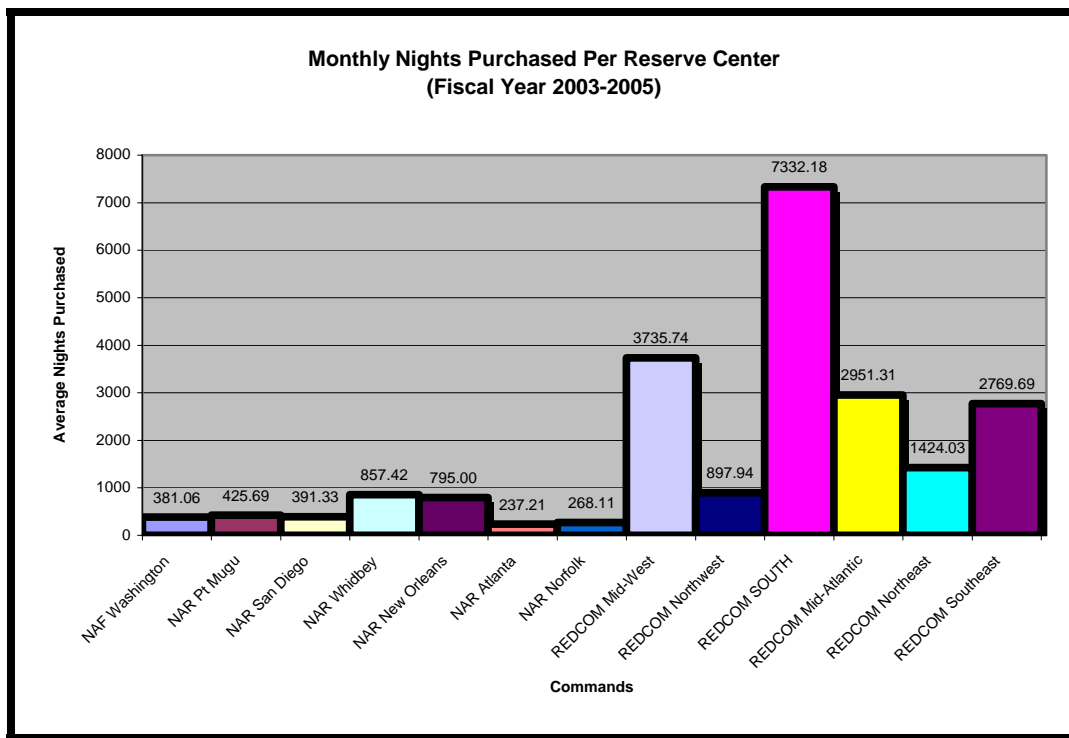


Figure 30. Average Nights of Rooms Purchased by Command

Figure 31 shows a plot of the average annual nights purchased versus the annual personnel traveling greater than 50 miles. It appears to be no relationship between the average monthly nights and personnel. In fact, there is a 13 percent correlation between the two activities.

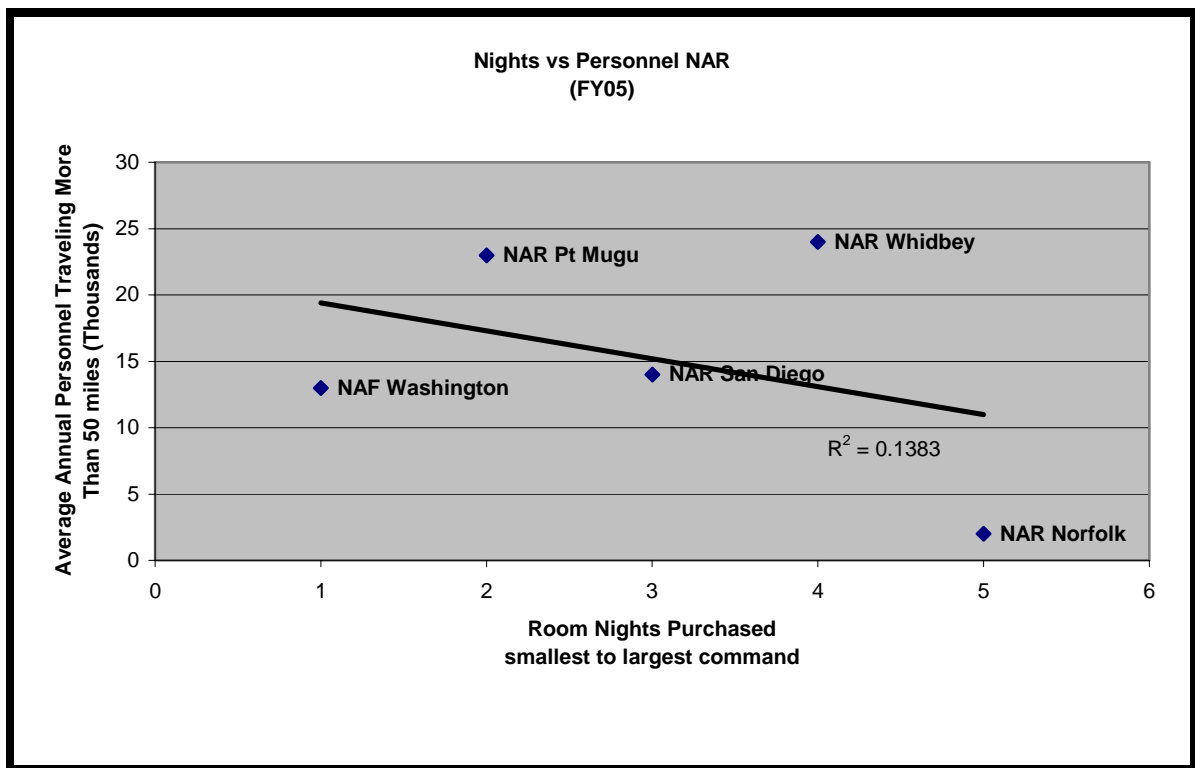


Figure 31. Average Annual Nights Purchased versus Average Annual Personnel Traveling Greater Than 50 miles

Figure 32 shows the room nights per person per year by Navy Air Reserve and Navy Air Facilities Commands (NAR & NAF). NAF Washington purchased 4750 rooms per year approximately 350 people. NAF Washington has been consistent, purchasing 13 rooms nights per year per person for their Selected Reserve personnel. Similar to NAF Washington is NAR Whidbey. NAR Whidbey, on average, purchases 10,289 room nights per year for 430 Selected Reservist traveling over 50 miles. NAR Whidbey, since fiscal year 2005, has been consistent in purchasing 23 room nights per person per year for their Selected Reserve personnel who travel greater 50 miles.

The Navy Air Reserve and Navy Air Facilities purchases were relatively consistent with the exception of NAR Pt. Mugu and NAR Norfolk. NAR Pt. Mugu's room's nights per person increased from 23 in 2003 to 28 in 2004. In 2004, NAR Pt. Mugu purchased on averaged 2 rooms per eligible Inactive Duty Trainer more than it did

in 2003. In 2005, however, NAR Pt. Mugu purchased the same 23 rooms per person per year for the Selected Reservist as it did in 2003. I suggest asking the Readiness Commanders for an explanation to the sudden increase. While NAR Pt. Mugu increased, NAR Norfolk decreased the number of rooms nights purchased per year per person. As the chart indicates, NAR Norfolk purchased an average of 7 nights per year per person for their Selected Reservist. In 2005, however, NAR Norfolk rooms nights purchased per year plummeted from 7 nights to 2 nights. NAR Norfolk anomaly is uncertain, but what is certain is that Norfolk room nights plummeted from 4073 room nights to 1056 rooms' nights purchased per year. The number of nights purchased decreased by four rooms per night per person. I suggest Readiness Commands request an explanation for these findings.

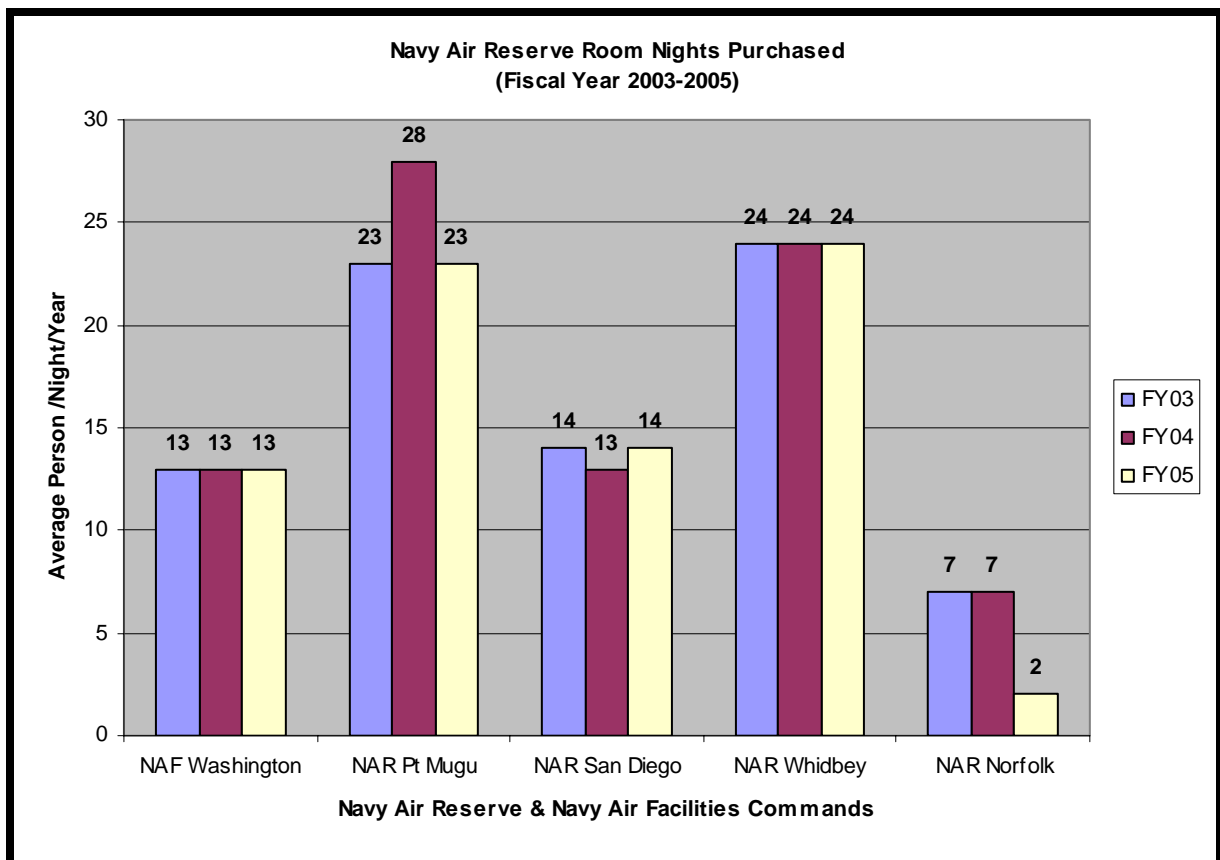


Figure 32. Navy Air Reserve versus Average Person per Night per Year

Figure 33 shows the average room nights purchased per person per year per person by their Readiness Commands (REDCOM). Readiness Command Northwest on average purchased 10,775 rooms per year that provide rooms for approximately 1,422 Selective Reservists. Readiness Command Northwest has consistently provided 8 rooms per person per year for lodging. The other REDCOMs have been relatively consistent with the number of room nights purchased per year for their Selective Reservists with the exception of REDCOM Mid-Atlantic. REDCOM Mid-Atlantic purchased 23 room nights in fiscal year 2003 and by 2004 the number of room nights per year reduced to 20. It is interesting to note that it remained steady at 20 nights. In 2003 Mid-Atlantic room nights purchased decreased from 35,815 to 32,918 and then its number increased to 37,514 rooms nights by 2005. The level of 20 nights is attributable to a steady increase of Selected Reservist traveling; Mid-Atlantic personnel traveling greater than 50 miles to the permanent drilling site.

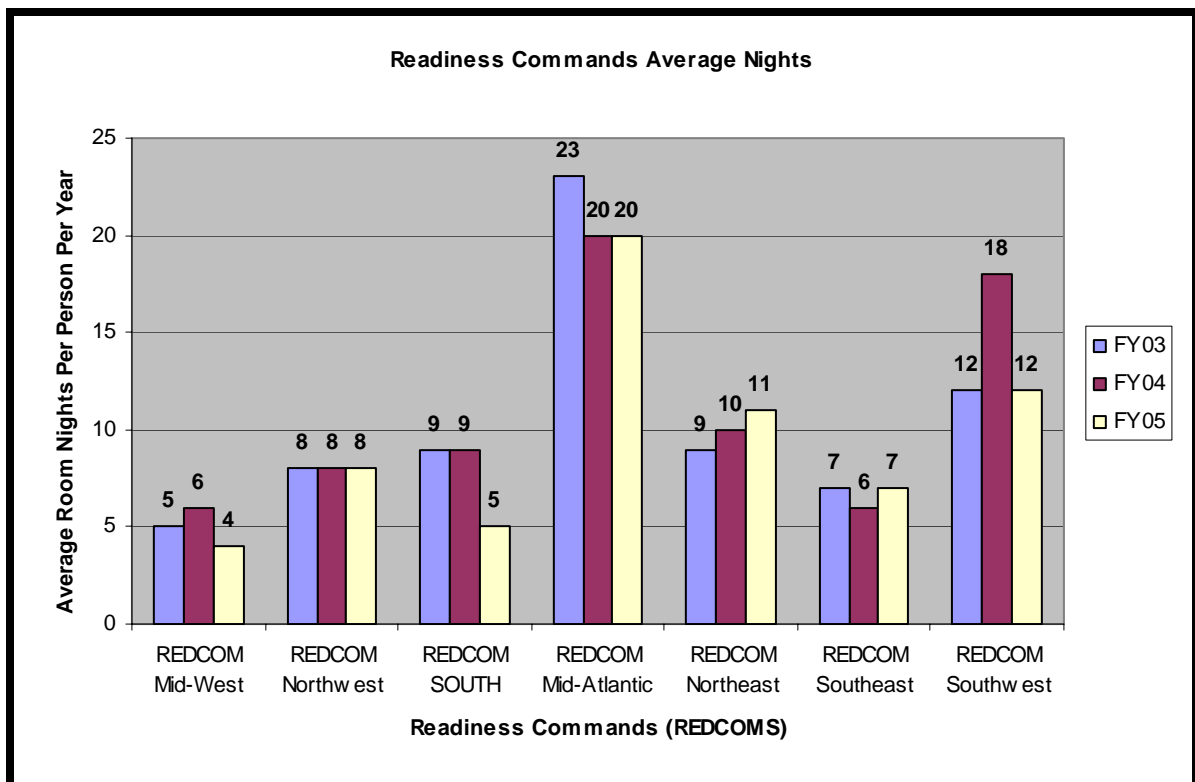


Figure 33. Readiness Commands versus Average Room Nights per Person per Year

Figure 34 shows an overall ratio of spending among the Readiness Commands. Readiness Command Southwest was authorized \$.88 million in fiscal year 2003 and spent \$.83 million for contract berthing. Southwest spent 94 percent of the actual budget with 6 percent of funding at the end of the fiscal year. In fiscal year 2004, Southwest authorized funding of \$.88 million increased by 1.26 times more than fiscal year 2003 to \$1.1 million. In other words, Southwest under spent by 20 percent of its authorized funding; therefore the remaining 80 percent was spent on contract berthing. Southwest is shows a gradual increase in authorized funding for each fiscal year. In fiscal year 2005, Southwest authorized funding increased to \$1.4 million which indicates a 1.3 times increase from the previous year. Again, Southwest under spent by 68 percent of their authorized funding. Southwest trends indicates that the more money authorized the less funding is being spent. I would speculate that they have less personnel drilling or more Combined Bachelor's Quarters available.

Readiness Command Southeast shows that, in fiscal year 2003, it was authorized \$.95 million and spent \$1.5 million. It overspent funding by 64 percent. In 2004, Southeast authorized funding increase 1.9 times more than 2003. Southeast funding increased from \$.95 million to \$1.8 million. It shows that Southeast underspent authorized funding by 8 percent and actually spent 92 percent of the authorized contract berthing funding. In 2005, Southeast funding increased by 1 percent more than \$1.8 million. In other words, Southeast was 2 percent within their authorized budget; subsequently, spending 98 percent of fiscal year 2005 contracted budget.

Readiness Command Northeast, in fiscal year 2003, was authorized \$.89 million and spent \$.87 million. It shows that it underspent its budget by 2 percent and allocated 98 percent to contract berthing. Although Northeast was authorized funding was increased 1.18 times more than the previous year. It overspent funding by 2 percent in 2004. In 2005, Northeast spent 99 percent of their authorized funding. I speculate that in 2004 Northeast had an influx of reserve in which I suggest asking the Readiness Commander.

Readiness Command Northwest, in fiscal year 2003, was authorized \$.46 million and actually spent \$.49 million. The chart shows that Northwest overspent 6 percent of

their authorized funding. I speculate that Northwest has a high influx of personnel needing lodging. As a result of overspending, funding increased from \$.46 million to \$.50 million. Northwest's funding increased by 1.084 more times than 2003; I speculate that Northwest spent 99 percent of their authorized funding because of the need for contracting berthing. Northwest trends for all fiscal years shows an increase from \$.46 million to \$.51 million. As the data indicates, the authorized funding increased while the actual amount spent decreased per fiscal year. In 2005, the graph indicate that Northwest under spent their authorized funding by 5 percent.

Readiness Command Mid-West, in fiscal year 2003, was authorized \$7.3 million and actually spent \$.7 million. The chart shows that Mid-West underspent their authorized funding by 3 percent. In 2004, Mid-West authorized funding increased by 1.6 more times than 2003. In 2005, Mid-West authorized funding decreased 6 percent; however, Mid-West was authorized \$1.1 million, but spent \$2.9 million. It spent 1.62 more funding in 2005 than any other year. The authorized funding trends steady increased from fiscal year 2003 and 2004, but in 2005 the authorized funding decreased which was the result of overspending. I suggest asking the Readiness Commander for an answer.

Readiness Command Mid-Atlantic, in 2003, was authorized \$1 million and actually spent \$.87 million dollars. This chart shows it underspent authorized funding by 14 percent. In 2004, it underspent funding by 17 percent; however, in 2005, Mid-Atlantic overspent it funding by 1 percent. In 2003, Mid-Atlantic authorized \$1 million dollars, but didn't spent their authorized limit. In 2004, the authorized funding of \$.956 million decreased by 6 percent. I speculate that it was because of the 14 percent underspending in the previous year. In 2005, Mid-Atlantic funding of \$.982 million increased 1.026 more times than 2004. In others the 2005 authorized amount of \$.982 increased by 2.6 percent.

Readiness Command South 2003 authorized fiscal amount was \$1.2 million and it actually spent \$.855 million. It actually under spent by 31 percent of its contract berthing funds. In 2005, South's authorized funding increased by 1.026 from \$1.2 million to \$1.2 million. The chart between the two fiscal years indicates a steady growth in authorized funding and a normal spending rate. In 2005; however, South trend looks slightly

skewed. Its authorized funding increased from by 1.05 more times than the 2004 funding of \$1.26 million. In 2005, South's anomaly is that it overspent 5.39 times more than its authorized funding. In comparing the previous year amount of \$.936 million to the \$8.5 million actually spent this indicates that South spent 9 times more than it actually spent in 2005.

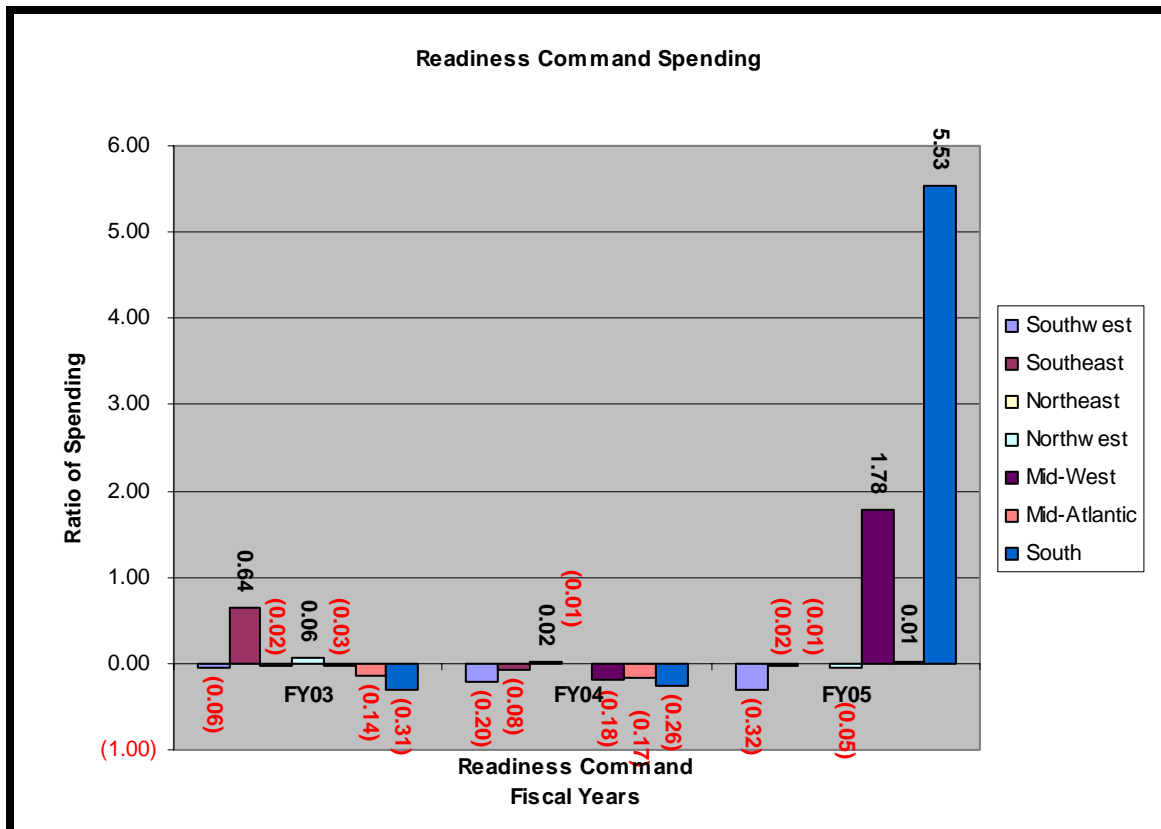


Figure 34. Readiness Command versus Ratio of Spending (the purpose of the graph is to show that any ratio above 0.00 shows that the Readiness Commands overspent funds for the fiscal year; conversely, below the 0.00 show that Readiness Commands have under spent funds for the fiscal year)

Figure 35 shows a plot of the similarities and differences between Readiness Commands South and Mid-West. The similarities of both South and Mid-West are that they both were authorized \$1 million on average for contract berthing funding. Also, they actually spent from 2004 to 2005 (2 to 5 times) more than their actually amount in 2004.

Second, as the graph indicates actual spending exceeded their authorized amount by 1.62 and 5.39 times for Mid-West and South, respectively.

Assumptions about Readiness Command Over and Under spending for Berthing:

This portion of the MBA project presents assumptions about the Readiness Commands. Readiness Commanders provided data for the population of sailors requiring service for fiscal years 2003, 2004, and 2005; however, from 2000-2002 it is assumed:

- 10 percent increase in population from 2000-2002.
- Southeast room assets of 24,000 is the base for estimating room assets needed by the other Readiness Commands.
- The population of drilling reservists using Combined Bachelors Quarters is 60 percent of the population needing lodging services.
- Cost per Night to occupy the Combined Bachelor Quarters is a standard rate of \$25 per night.
- The average market price for hotels are \$84.79.

Overall, I assumed that from 2000-2002 each Readiness Commands population increased by 10 percent each year. I based this assumption on the 2003 population of sailors requiring lodging services. For example, I used Southeast 2003 population of 4310 and assumed that 2002 was 90 percent of 4310 which yield 3879. In 2000, however, Readiness Command Southeast had 3,578 drilling reservists needing lodging services per year. Commander Navy Installations Command (CNIC) Program Manager, Mr. Dean Reynolds said, "It is estimated that Southeast has 24,000 rooms assets available for lodging." As a result, I estimated the availability of rooms for the other Readiness Commands by using Southeast's number of room assets as a base number. I knew that Southeast had the highest population of sailors requiring lodging services and that the number of rooms assets were 24,000. Therefore, I multiplied the smaller population with the largest number of room assets and divided by the highest population. For example, in 2000, I multiplied Northwest's population of sailors needing lodging by Southeast's room assets of 24,000 and divided by Southeast's population of sailors needing lodging to estimate the number of room asset available for lodging in the other Readiness Command.

I assumed that the population of sailors utilizing the Combine Bachelor's Quarters is 60 percent. I assume that most sailors are able to use the Combine Bachelor's Quarters. For those who are not able to occupy a room in the CBQ are privileged to use local hotels at the governments expense. I assumed that the average cost per night at the CBQ is \$25 for all Readiness and Regional Commands. I assumed the cost per night to stay at the a hotel was \$84.79 based on a the an internet source from Forbes Fortune 500 report

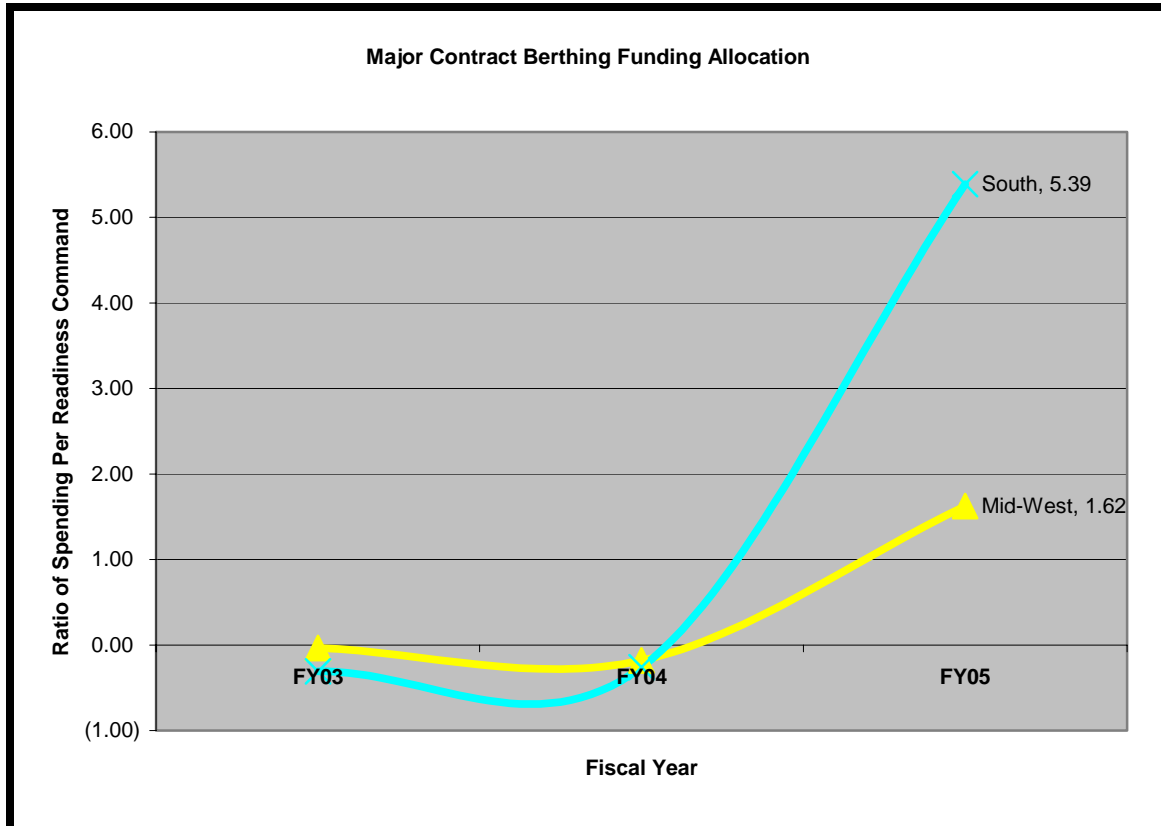


Figure 35. Fiscal Year versus Ratio of Spending per Readiness Command

Figure 36 shows a plot of the actual versus the forecasted time period which is 2006. The Excel chart uses cost data from 2000-2005 and project a trend. In other words, the blue plot indicates that as annual cost of contracting berthing reaches the end of the periods cost of contracted berthing will decrease; however, the pink line indicates the opposite. The seasonal forecast plot shows that as the cost of contracted berthing reaches the end of the periods cost will increase. The seasonal forecasting helps explain the

inconsistencies in the ratio of personnel traveling greater than 50 versus the number of nights spent (see Figure 8). Seasonal forecasting, the pink line, states that over time as the Navy continue to purchase room nights the cost will increase, as opposed to the blue line that shows that cost will decline.

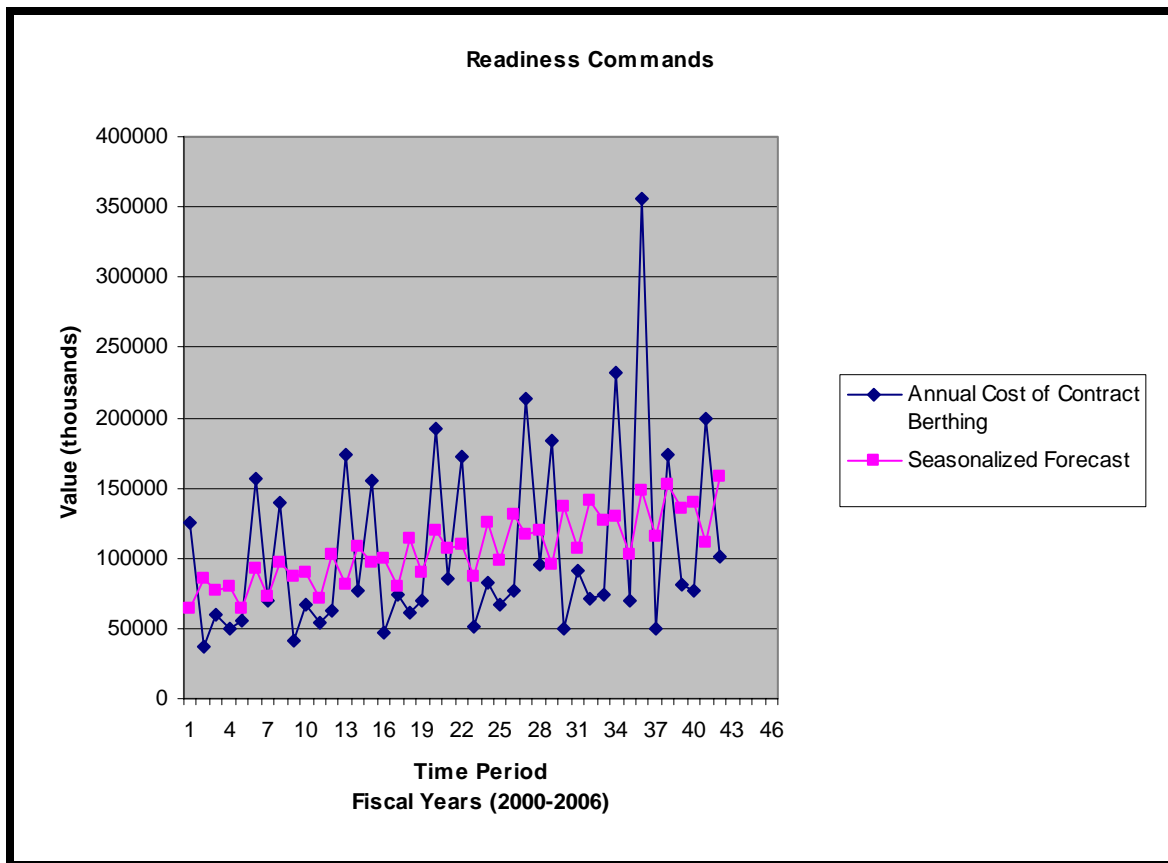


Figure 36. Annual Cost of Contract Berthing versus Seasonalized Forecasts

Figure 37 shows a plot of the actual dollars spent and the forecasted dollar amount. This plot supports Figure 34 that states that over time the forecasted annual contract berthing will increase as opposed to decreasing. If time permitted, I suggest doing time forecast for each Readiness Command.

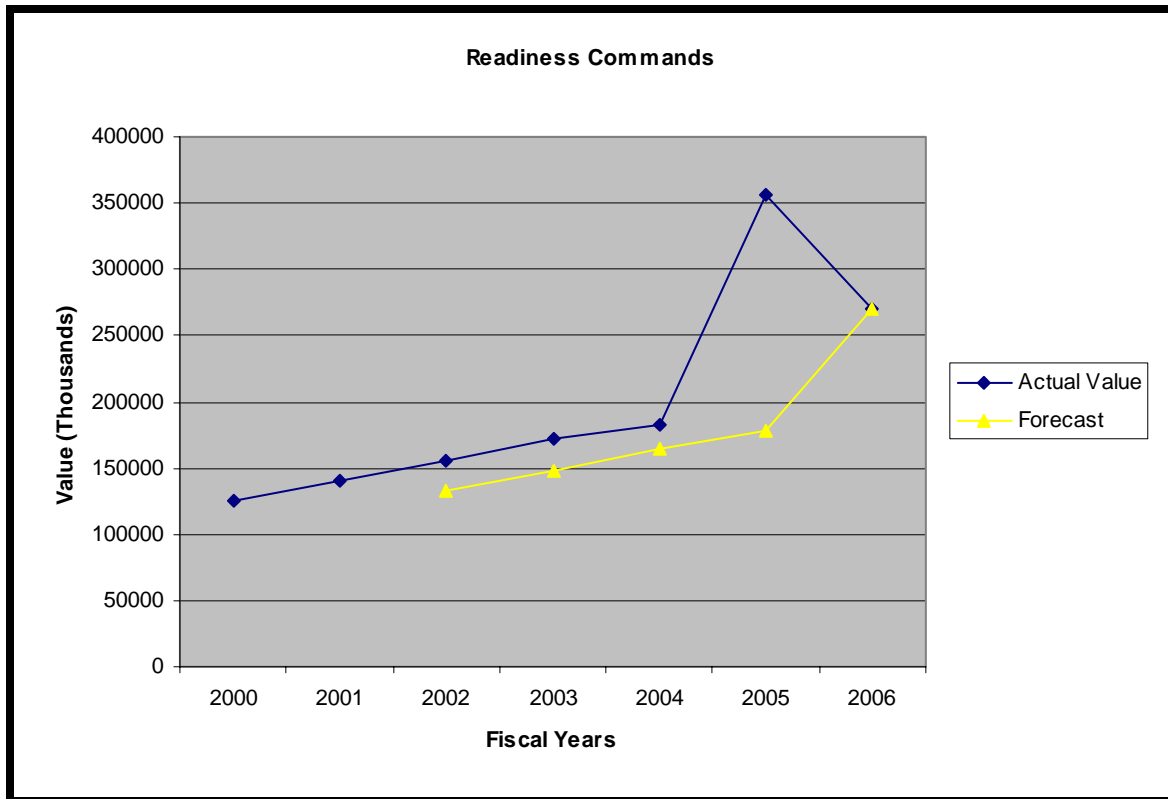


Figure 37. Actual Value of Contract Berthing versus Forecasted Value

C. CONCLUSION

Manpower personnel are important! One reason why contract berthing is important it provides a alternate lodging plan for more than 3000 *personnel each month* traveling more the 50 miles to their assigned reserve center (see Figure 14). The chart shows that from the 3089 personnel traveling greater than 50 miles each month 41 percent of people are from Readiness Commands South. As compared to the Mid-West region that had 26 percent of the people traveling to the designated place of work (see Figure 1). In other words, these two commands are obligating more funds than their counterparts. I speculate that this could be from the lack of rooms available on base to adequately accommodate its 41 percent of personnel. Finally, manpower is important because people comfort and rooms purchased to accommodate the people fighting the war on terror.

Financial Management of contracts berthing is important! One reason is to limit the amount of funds spent. For example, Figure 15 states the Readiness Command purchased an aggregate of 21,556 rooms nights each month; assuming that the unit cost for each room was \$80 dollars that would yield a total cost of \$1.7 million. From the 21,556 room nights, Readiness Command South purchased 34 percent of the total rooms. Secondly, it is the duty of the controller to be guardians of the public funds for the tax payer. Second, contract berthing is a *privilege and not an entitlement*, many experts feel as though it is important to give the tax payer or stakeholders a picture of the flow of their funds(see Figure 2). Finally, financial management of contract berthing is important because on average must command such as South and Mid-West overspend their authorized amount of funding dollars (see Figure 32). In others, the chart shows that Readiness Command South 2003 authorized fiscal amount was \$1.2 million and it actually spent \$.855 million. It actually under spent by 31 percent of its contract berthing funds. In 2005, South's authorized funding increased by 1.026 from \$1.2 million to \$1.2 million. The chart between the two fiscal years indicates a steady growth in authorized funding and a normal spending rate. In 2005; however, South trend looks slightly skewed. Its authorized funding increased from by 1.05 more times than the 2004 funding of \$1.26 million. In 2005, South's anomaly is that it overspent 5.39 times more than it's authorized funding. In comparing the previous year amount of \$.936 million to the \$8.5 million actually spent this indicates that South spent 9 times more than it actually spent in 2005.

Time-Forecasting is another important aspect of financial management. Figure 8 shows that Figure 8 shows the aggregate number of personnel, number of personal traveling greater than 50 miles, and the number of nights purchased by Readiness Commands. There has been an by 58 percent from 182,668 to 442, 755 in the number of nights purchased. With an increase in personnel the number of nights purchased, it is obvious that the number of personnel traveling greater than 50 miles and the number of personnel has increased proportionately as depicted in the graph. The interesting trend is the ratio of nights purchased versus personnel greater than 50 miles. The graph shows that as the number of nights purchased steady increase over three fiscal years; the number

of people traveling decrease by 3 percent. Purchasing more rooms would give the impression that there are more people traveling greater than 50 miles. Therefore, an increase in personnel and the consolidation of bases the Navy will be forced to contract more rooms from the local community. Instead less people are traveling greater than 50 miles. I speculate that more people were mobilized to fight the war on terror.

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VI. CONCLUSION

A. INTRODUCTION

This research suggests that current contract berthing policy maybe inefficient in terms of manpower, time, money, and Fleet Support. As Active-Reserve Integration is realized, a better method of providing berthing to eligible DRILRES must be identified. Existing berthing policy will certainly require revision.

B. DISCUSSION

- DRILRES will increasingly drill at the convenience of the Fleet. In most cases, DRILRES will not drill as a unit according to a published annual schedule. Additionally, DRILRES will not necessarily drill on two consecutive days.
- DRILRES are becoming more responsive to the Fleet, providing support with little or no advanced notice.
- Short-notice IDT periods may result in a greater number of commercially-procured rooms versus government quarters. Additionally, as DRILRES evolve into individual assets vice unit assets, the likelihood of double occupancy diminishes.
- The bottom line is that the current process that requires FTS intervention for making and canceling DRILRES reservations is obsolete.
- Done properly, approximately 50% of an NRA Storekeeper's time is devoted to managing berthing issues. The remainder of that time is spent on NRA logistics support and DRILRES uniform processing.

C. FINDINGS

This data indicated differing experience with contract berthing by region and site. Below is a list of findings that were significant:

- Contract Berthing Expenditures doubled from fiscal year 2003 to 2005. If this trend continues, contract berthing can cause significant budgetary impacts. (Figure 25). When using past data to forecast cost; it is clear that the forecast value of contract berthing will likely continue to increase (Figure 37).
- According to the Readiness Commands forecasts, contract berthing costs are expected to decrease at the end of the fiscal years. However, the opposite conclusion comes from standard forecasting methods; the seasonal forecast plot shows that the cost of contract berthing is expected to increase at the end of the years. Seasonal forecasting helps explain the inconsistencies in the ratio of personnel traveling greater than 50 versus the number of nights spent (Figure 36 and Figure 8)

- In 2005, the reservists traveling greater than 50 miles steadily increased while the ratio of nights to personnel traveling greater than 50 miles decreased. It is expected it to grow proportionately. (Figure 9).
- There were significant differences between budgeted and actual contract berthing expenditures. For example, Readiness Command South overspent five times its actual authorized budget for fiscal year 2005 (Figure 34).
- Personnel Traveling Greater than 50 miles versus Average Nights Purchased highlights differences between the small and large Readiness Commands. Readiness Command policies and conditions (or both) appear less homogenous than expected under a uniform DON policy (Figure 26).
- The Navy Air Reserve experience (in Number of Personal versus the Expenditures per person) seems to reflect quantity discounts. In other words, the more reservists utilizing contract berthing the lower the cost per unit. Conversely, the less the demand for contract berthing in the other region the higher the cost per person for contract berthing(Figure 27 and 28)
- Readiness Commands versus average room nights per person per year vary largely by region. It is interesting to note that Readiness Command South has the highest number of reservists drilling, but purchased four times less rooms per person per year than (for example) Readiness Command Mid-Atlantic (Figure 33).

D. CONCLUSIONS AND RECOMMENDATIONS

The objective of this project was to analyze the potential growth to the post-BRAC contract berthing budget line, assuming a continuance of current Contract Berthing policy. Although this project brought forth some interesting facts, however, limited data prohibited using historical cost data to predict future cost. There is good reason to believe that local commanders are applying the current policy in different ways quite possibly in response to differing local conditions. Furthermore, to more accurately predict future cost of Contract Berthing, the following is suggested:

- Readiness Commanders put procedures in place to more accurately track Contract berthing expenditures. This should make possible more accurate estimates of Contracting Berthing Costs.
- Commander Navy Reserve Forces support development of a Case Study of BRAC effects on contract berthing costs by using Pre-BRAC 2005 rounds.
- Readiness Commanders collaborate with Commander Navy Installations Command (CNIC) budget divisions to develop more complete financial controls for contract berthing.

- There is good reason to believe that low-hanging fruit for controlling contract berthing costs is found in exploiting Information Technology. Specifically, the following measures are recommended for serious consideration by Commander Navy Reserve Forces:
 - Implement a real-time online database system allowing eligible members to make their own reservations with authorized contract berthing vendors under government contract. If the CAC card interface, as used in Subsistence, were established, bulk funding could be given to the Combined Bachelor Quarters in all regions and upon checking into the facilities, the CAC card is scanned as a payment for the room charges. The CAC cards would be loaded at the beginning of the fiscal year with the number of nights available for IDT purposes only and nights deducted as scanned.
 - Another implementation process that could be established with a real-time online database system utilizing civilian hotels would be for FISC or CNI to establish government contracts with various hotels with a firm fixed price per person on the room rates, once again, enabling eligible members to make their own reservations on line or over the phone. Once the contracts were awarded, a “contract berthing account card” would be issued to all members that require commercial berthing that do not drill near a military installation that has a CBQ. The contract berthing card would have the number of nights authorized loaded at the beginning of the fiscal year and would be deducted as they are scanned. The NRA could provide a list of authorized individuals to the hotel that could be loaded into their database with specific codes listed as to who may room together i.e., E-6 and below males with E-6 and below males could have a specific code that would identify to the vendor which individuals are allowed to share a room. The invoice is then faxed to the NRA for auditing and payment. If this recommendation were to be adopted, NRAs could reduce logistics staff by 50%.
 - Implement a berthing allowance for eligible DRILRES. This is a long-term solution that entirely eliminates FTS logistics intervention and affords maximum flexibility to the DRILRES and the Fleet. If this recommendation were to be adopted, the NRA logistics support staff could be reduced to a single Storekeeper (see Appendix for an example of benefits authorized)

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APPENDIX

COMNAVRESREDCOM SOUTH INST 11103.1A
N41
19 May 04

A. COMNAVRESREDCOM SOUTH INSTRUCTION 11103.1A

Subj: BERTHING POLICY FOR SELECTED RESERVISTS (SELRES) DRILLING
AT NAVAL RESERVE READINESS COMMAND SOUTH

Ref: (a) COMNAVRESFORCOM P4000.1A

Encl: (1) Berthing Certification Letter R)
(2) Berthing Privilege Suspension Warning Letter R)

1. Purpose. To provide sign-up and no-show policy guidance for the berthing administration of SELRES performing multiple drills. This does not apply to Inactive Duty Training Travel (IDTT), Annual Training (AT), Active Duty Training (ADT), or Active Duty for Special Work (ADSW).
2. Cancellation. COMNAVRESREDCOMREG11INST 11103.1
3. Objective. To facilitate active drill participation and mobilization training to the maximum extent, this command may R) provide berthing at Navy expense for eligible SELRES per reference (a).
4. Eligibility
 - a. Per reference (a), SELRES must be:
 - (1) In a drill status performing inactive duty training (IDT).
 - (2) Reside more than 50 miles one-way between their residence and permanent drill site by the most direct route and/or drive time more than one and a half hours.

(3) Perform at least eight hours of scheduled IDT on the day following use of berthing or four four-hour drills within a 48-hour period.

b. Berthing is a privilege, not an entitlement, and may be denied for noncompliance with reference (a) and this instruction.

5. Action

a. Eligible SELRES:

(1) Complete and sign a Berthing Certification Letter, enclosure (1), annually.

(2) Request berthing from Logistics (N4) by filling out and signing a Berthing Request Sheet not later than 30 days prior to the date berthing is required. Berthing Request Sheets are available for signature 60 days in advance. If not present the drill weekend prior to the month berthing is required, and the member had not previously signed the berthing list, the member may phone/fax/call the Logistics Department to be added to the list. Berthing may be denied if within 21 days of the drill weekend required. SELRES are strongly encouraged to make berthing requests known 60 days in advance to help control costs.

(3) Under no circumstances will SELRES make their own berthing reservation. If a SELRES does so, the SELRES is financially responsible for that reservation.

(4) The individual SELRES is responsible for canceling berthing reservations no later than 1200, the day prior to the (R) reservation, by calling the REDCOM South Logistics Department. Failure to cancel reservations that cause a charge to REDCOM South will result in the following:

(a) First violation: Issue warning letter.

(b) Second violation (within six months of the first violation):
SELRES will be denied berthing for six months.

(c) Third violation (within 12 months of the first violation):
Indefinite denial of berthing privileges.

(5) SELRES that do not satisfactorily perform at least two four-hour drills on the day following the use of berthing, or four four-hour drills within a 48-hour period will be required to reimburse the Navy for the cost of the berthing provided. Reimbursement to the Navy is also required for any charges incurred for damages to the berthing activity caused by individual acts of negligence.

b. REDCOM South (N4):

(1) Ensure a copy of this instruction is provided to SELRES requiring berthing.

(2) Annually, each fiscal year, require all SELRES using berthing to recertify their eligibility. Maintain a file of all certification/recertification forms.

(3) Arrange, pay for, and notify SELRES of confirmed berthing arrangements, ensuring berthing is double-occupancy per reference (a) when configured.

(4) Track berthing procedure violations, initiating appropriate action when required.

(5) Withhold berthing privileges for a specified period of time from members who abuse these privileges.

c. Unit Commanding Officers/Officers in Charge receiving berthing assistance from REDCOM South:

(1) Counsel their personnel when notification of berthing procedure violations is received.

(2) Initiate disciplinary action under the Uniform Code of Military Justice, if warranted.

//s//

K. R. HEMPEL

Distribution:

COMNAVRESREDCOMSOUTHINST 5216.1R List A, B-2 , C

FLT HOSP Dallas HQ

Berthing Certification Letter

Date: _____

From: _____

To: Commander, Naval Reserve Readiness Command South (N4)

Subj: REQUEST FOR BERTHING

1. I request overnight berthing for scheduled Inactive Duty Training drill periods.
2. I certify that I commute more than 50 miles from my home to my permanent drill site following the most direct route. I agree to successfully complete eight hours of scheduled drills, exclusive of the meal hour, on the day following my berthing use. I will sign up for berthing in the Logistics Department (N4) not later than 30 days prior to the date berthing is required. If I am unable to do so in person, I understand I may request berthing by phone (817-782-6643/1/2), email (howard.smith@navy.mil), or fax (817-782-6808). Failure to meet this deadline can result in denial of berthing at Government expense. If I must cancel my reservation, I must contact the Logistics Department by 1200, the day before berthing is required. If declared a “no show,” I understand I will be denied berthing privileges for at least six months. Government-provided berthing includes only the basic room charge. Telephone calls and other personal charges are my responsibility and must be paid at checkout.
3. I understand if the Navy is charged for damage of berthing property, checkage of my drill pay will be initiated, or I will make restitution by check/money order. I certify that I have been provided a copy of COMNAVRESREDCOMSOUTHINST 11103.1A and understand its contents.

K. S. EMMEL

Chief Staff Officer

Berthing Policy local command:

NAVOPSUPCENCORPINST 11103.1C
N00C

B. NAVOPSUPCEN CORPUS CHRISTI INSTRUCTION 11103.1C

Subj: CONTRACT BERTHING PROCEDURES FOR SELECTED RESERVE
PERSONNEL

Ref: (a) COMNAVRESFORINST P4000.1A
(b) COMNAVREDCOMSOUTHINST 11103.1A

Encl: (1) Berthing Certification Sheet
(2) Berthing Audit Standard Procedures
(3) Assignment for Berthing Audit/Audit Results
(4) Unit Berthing Sign-Up Sheet
(5) Berthing Warning/Suspension Letter

1. Purpose. To provide amplifying guidance for the implementation of contract berthing procedures for eligible Selected Reservists performing multiple drills at Navy Operational Support Center Corpus Christi, TRAWING 2, TRAWING 4, CANTRA and HM-15.

2. Cancellation. NAVRESCENCORPINST 11103.1B

3. Overview. This instruction, along with references (a) and (b), authorizes a program to provide contract berthing for Selected Reservists at NOSC Corpus Christi Texas. Commercial berthing accommodations will be provided to eligible Navy Reservists only when Combined Bachelor Quarters (CBQ) is not available. The provisions of this instruction do not apply to, and will not be used as authorization for, the acquisition of contract berthing in support of Inactive Duty Training Travel (IDTT) or

Annual Training (AT) periods, Active Duty Training (ADT), or Active Duty for Special Work (ADSW).

4. Eligibility. As defined in references (a) and (b), to be eligible for contract berthing at the permanent drill site, Officer and Enlisted personnel of the Selected Reserve must:

- a. Be in a drill status and performing Inactive Duty Training (IDT) at the permanent drill site, as designated in writing by the NOSC Commanding Officer.
- b. Reside **over 50 miles** from the site where IDT's are performed.
- c. Perform at least eight hours of IDT (two drill periods), exclusive of meal hours, on the day before or day following the use of contract berthing, or four 4-hour drills within a 48-hour period.
- d. Berthing is a **privilege**, not an **entitlement**, and may be denied for noncompliance with reference (a), (b), and this instruction.

5. Responsibilities.

a. Commanding Officer, Navy Operational Support Center Corpus Christi:
Responsible for the acquisition of contract berthing in support of eligible SELRES.

b. Unit Commanding Officers/Officers In Charge:

- (1) Counsel their personnel when notification of berthing procedure violations is received.
- (2) Initiate disciplinary action under the Uniform Code of Military Justice if warranted.
- (3) Under no circumstances are unit POC's to authorize direct billing with berthing vendors. NOSC Supply Petty Officers, are the only personnel who are authorized to approve direct billing.

c. Reservist:

- (1) Ensure that all eligibility requirements are maintained.
- (2) Under no circumstances will SELRES make their own berthing reservations. If a SELRES does so, the SELRES is financially responsible for that reservation.

- (3) Submit Unit Berthing Request, through NOSC Supply Department, at least thirty- (30) calendar days in advance.
 - (4) Short notice (less than 30 calendar days) changes or additions must be received no later than 5 working days prior to drill weekend or it must be approved by the Commanding Officer, Navy Operational Support Center Corpus Christi based on input from the Unit Commanding Officer.
 - (5) Reschedules/Additional drills shall be accompanied by a reschedule form located on the command website. Reschedules and additional drills require a 3 working day notice to procure berthing.
 - (6) Submit cancellations to Supply Department at NOSC Corpus Christi not later than 48 hours prior to the start of scheduled berthing.
 - (7) Sign Berthing Signature Record upon check-in at the hotel's front desk (unless the lodging facility cannot provide the form).
 - (8) Assume and pay all additional room charges such as: charges incurred due to late check out, telephone calls, Pay-TV, beverage bills, room service, etc. Damage caused as a result of negligence or misconduct during hotel occupancy, will be paid by the Reservist.
 - (9) Any berthing cost incurred by a person not in compliance with this instruction will be paid by the individual and not subject to reimbursement by the government.
- d. Supply Department, Navy Operational Support Center Corpus Christi.
- (1) Ensure a copy of this instruction is provided to SELRES.
 - (2) Maintain a file of Navy Reservists eligible for contract berthing using enclosure (1).
 - (3) Monthly, ensure the eligible members are verified via NSIPS. Provide NOSC Commanding Officer with a report of new members residing outside 50-mile radius.

(4) Make appropriate room reservations. Rooms will be provided using the double-occupancy rule for commercial berthing, separating by gender and rank as follows:

Senior Officers – Pay grades O5 and O6

Junior Officers – Pay grades W1 through O4

Senior Enlisted – Pay grades E7 through E9

Junior Enlisted – Pay grades E1 through E6

Unit Commanding Officers will not stay with unit members

****Note****

Suites and VIP rooms will **only** be used at the CBQs when no single rooms are available for the drill period.

(5) Provide the hotel with a listing of personnel authorized contract berthing (according to location).

(6) Provide the POOW at NOSC Corpus Christi a copy of SELRES Personnel authorized contract berthing and reserved locations.

(7) Monthly, compare berthing sign-up sheet to NSIPS database for eligibility.

(8) Track berthing procedure violations, and initiate enclosure (5) when required.

6. No Show Policy. “No Shows” are SELRES who request government berthing, but fail to cancel arrangements 48 hours prior to scheduled berthing. To avoid any administrative and/or financial burden to the government by cost from “No Shows,” the following shall take place:

First Violation: Warning

Second Violation: Loss of privileges for six months

Third Violation: Loss of privileges permanently

7. Forms. Forms listed in this instruction will be maintained by the Supply Department, NOSC Corpus Christi for use by all units. Forms may be reproduced as necessary.

//s//

J. R. MARTINEZ

Distribution:

All Reserve Units

C. CALCULATING BENEFITS AUTHORIZED FOR CONTRACT BERTHING

If Government quarters are available (members drill on a base with a CBQ)

NAR Brunswick has a total drilling population of 326. Of those 326, 158 are authorized contract berthing (resides outside 50 miles from PDS). Of the 158, 96 members drill on base and utilized the CBQ and 62 members drill off site utilizing commercial hotels.

CBQ breakdown: Each member is given the following amounts for berthing as an authorized pay allowance. E-6 and below-\$7.50 per night, E-7 through O-4-\$15.00 per night, and O-5 and above-\$25.00 per night.

E-6 and below population: 70

E-7 through O-4 population: 18

O-5 and above population: 8

***70 x \$7.50 = \$525.00 x 2 nights = \$1,050.00 x 12 months = \$ 12,600.00

***18 x \$15.00 = \$270.00 x 2 nights = \$ 540.00 x 12 months = \$ 6,480.00

***08 x \$25.00 = \$200.00 x 2 nights = \$ 400.00 x 12 months = \$ 4,800.00

TOTAL FOR FISCAL YEAR: \$ 23,880.00

Off site contract berthing breakdown: Allowance based on BAH rates for area where member drills and by pay grade. (Exactly like AC).

***Example used is FT. Devens, MA

***E-4 and below population: 2 (\$31.87 x 2 = \$63.74 per weekend x 2 members = \$127.48

***E-5 population: 5 (\$36.43 x 2 = \$72.86 per weekend x 5 members = \$364.30

***E-6 population: 11 (\$39.16 x 2 = \$78.32 per weekend x 11 members = \$861.52

***E-7 population: 9 ($\$42.67 \times 2 = \85.34 per weekend x 9 members = \$768.06
 ***E-8 population: 3 ($\$47.97 \times 2 = \95.94 per weekend x 3 members = \$287.82
 ***E-9 population: 1 ($\$50.87 \times 2 = \101.74 per weekend x 1 members = \$101.74
 ***W0-2 population: 2 ($\$47.93 \times 2 = \95.86 per weekend x 2 members = \$191.72
 ***W0-3 population: 1 ($\$51.13 \times 2 = \102.26 per weekend x 1 member = \$102.26
 ***O-1 population: 4 ($\$38.67 \times 2 = \77.34 per weekend x 4 members = \$309.36
 ***O-2 population: 1 ($\$44.83 \times 2 = \89.66 per weekend x 1 member = \$89.66
 ***O-3 population: 5 ($\$52.10 \times 2 = \104.20 per weekend x 5 members = \$521.00
 ***O-4 population: 3 ($\$60.83 \times 2 = \121.66 per weekend x 3 members = \$364.98

***O-5 population: 5 ($\$64.07 \times 2 = \128.14 per weekend x 5 members = \$640.70

***O-6 population: 1 ($69.00 \times 2 = \$138.00$ per weekend x 1 member = \$138.00

TOTAL FOR OFF SITE MEMBERS PER MONTH: \$4,868.60

TOTAL FOR OFF SITE MEMBERS PER FY: \$58,423.20

GRAND TOTAL FOR ON SITE AND OFF SITE WITH ALLOWANCE: \$82,303.20

GRAND TOTAL FOR NAR BRUNSWICK FY05 BERTHING: \$82,219.00

DIFFERENCE: \$84.20

The BAH rate was determined by taking the BAH allowance for the area where the members drill and dividing by 30. Realize that the figures are not 100% accurate due to gaining/losing members that are beyond our control, but figures are used as an average. Based on the total costs, there is minimal costs difference. Other factors that should be considered in the bottom line is the pay and allowance that an active duty storekeepers is paid that could be eliminated, approximately \$40,000 per year. Manpower is reduced, administrative costs are eliminated, and greater flexibility and responsibility are given to the member which is in stride with ARI.

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